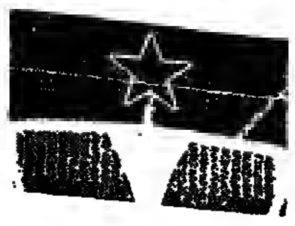

Car wars
Motor groups mount a Chinese invasion
Page 21

Office politics
How to hire an incompetent
Page 18

Ecological agenda
Chemicals versus conservation
Page 12

Mexico
Zedillo faces a rough ride
Pages 13-17

FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY NOVEMBER 23 1994 — D8523A

Opec extends oil production ceiling for whole of 1995

The Organisation of Petroleum Exporting Countries took the unprecedented *step* of extending its present production ceiling for a full year in an attempt to boost weak oil prices. Saudi Arabia, *Opec's largest* producer, overcame objections from Kuwait, Libya and Gabon to persuade oil ministers to maintain the 24.52m barrel a day ceiling "without reservation" for the whole of 1995. Page 22; Editorial *Comment, Page 21*

Delors backs European TV programmes

Proposals to tighten European broadcasting quotas and separately to ban advertising on new electronic information services are threatening to *divide* the European Commission. The outgoing *audiovisual commissioner*, Joao de Deus Pinheiro, who is believed to have strong backing from Jacques Delors (above), president of the Commission, will next week present plans to force European television channels to produce at least half their programmes within Europe. Page 22; Editorial Comment, Page 21

BBV group leads Spanish telecoms battle: Cometa-SRM, a consortium led by Banco Bilbao Vizcaya and by Vodafone, the UK telecommunications operator, has snatched the lead in a battle to obtain a mobile service licence in Spain with a cash bid of *Pta89bn* ($688m). Page 23; Lex, Page 22; Vodafone results, Page 24

Record earnings at Disney: The success of Walt Disney's animated features, especially *The Lion King*, more than offset a downturn in theme parks to produce record fourth-quarter earnings of $226m (£138m), against a loss of $78m. Group operating profits, before losses in Euro Disney, were up 23 per cent at $439m. Page 23

Gatt criticises Canadian trade tariffs: Canada has made progress in liberalising trade and industrial policies, but lingering high trade barriers remain an obstacle to growth and job creation, a report from the Gatt secretariat says. Page 4

Heatwave lifts Japan's electricity profits: Interim profits at Japan's electric power companies rose strongly, helped by a surge in electricity demand due to a heatwave. Page 26

Beijing and Hanoi to discuss boundaries: China and Vietnam agreed to work peacefully to resolve disputes over territorial and maritime boundaries, and are to discuss their rival claims to the Spratly atolls and the waters of the South China Sea. Page 6

Alcatel CIT chief's resignation rejected: *The board of French telecoms equipment company* Alcatel CIT, refused to accept the resignation of *chairman*, Pierre Guichet, who has been detained during investigation of alleged overbilling of France Télécom, one of the company's biggest clients. Page 2

Czech utility to launch Eurobond: Czech electric utility CEZ will become the first east European *corporation* to launch a Eurobond next week, marking the region's growing access to international debt markets. Page 27

Detailed imports data to be published: Data showing the level of import *penetration in different* sectors of the UK economy is to be published today for the *first* time *for more* than seven years. Page 11

Merger talks collapse: Talks about what would have been Britain's largest agreed merger ended when Johnson Matthey, *the precious metals group*, and Cookson, the specialist industrialist materials concern, *said they had* been unabla to agree financial terms. Page 23; Lex, Page 22

Debt fears deter investment in China: China's rash of troubles with western creditors over unpaid debts is casting a pall *over plans for heavy* foreign investment in Chinese infrastructure, particularly *in the power sector*. Page 22

Strong demand for TeleWest: Shares in the flotation of TeleWest *Communications were six* times oversubscribed and have been priced at 182p, valuing the UK cable television company at £1.8bn ($2.95bn). Page 23

US business tax breaks attacked: *Robert* Reich, US secretary of labour, called on the new conservative political *majority* in Congress *to* attack tax breaks for business and end "corporate welfare *as* we know it". Page 8

STOCK MARKET INDICES		
FT-SE 100:	3,078.7	(-42.3)
Yield	4.16	
FT-SE Eurotrack 100	1,331.93	(-19.24)
FT-SE-A All-Share	1,532.32	(-1.1%)
Nikkei	18,962.99	(-158.73)
New York lunchtime:		
Dow Jones Ind Ave	3,753.36	(-16.15)
S&P Composite	456.59	(-1.70)
US LUNCHTIME RATES		
Federal Funds:	5 7/8%	
3-mo Treas Bills: Yld	5.477%	
Long Bond	93 1/32	
Yield	8.099%	
LONDON MONEY		
3-mo Interbank	6 1/16%	(6 1/8%)
Liffe long gilt future:	Dec 102 1/32	(Dec 102 15/32)
NORTH SEA OIL (Argus)		
Brent 15-day (Dec)	$17.0	(16.93)
GOLD		
New York Comex (Dec)	$383.8	(383.6)
London	$384.3	(383.15)

STERLING		
New York lunchtime:		
$	1.57955	
London:		
$	1.5707	(1.5681)
DM	2.4402	(2.4452)
FFr	8.3789	(8.3933)
SFr	2.071	(2.0719)
Y	154.046	(154.262)
£ Index	79.8	(79.9)
DOLLAR		
New York lunchtime:		
DM	1.55495	
FFr	5.3402	
SFr	1.312	
Y	98.1	
London:		
DM	1.5536	(1.5594)
FFr	5.3345	(5.3525)
SFr	1.3186	(1.3213)
Y	98.075	(98.375)
$ Index	62.5	(62.6)
Tokyo close Y 98.28		

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDH15	S.Arabia	SR11
Belgium	BFr65	Hungary	Ft185	Morocco	MDH15	Singapore	S$4.30
Bulgaria	Lw80.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00
Czech Rp	CZK58	Israel	Shk6.80	Norway	NKr17.00	Spain	Pta225
Denmark	DKr18	Italy	L3000	Oman	OR1.50	Sweden	SKr16
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00
Finland	FM14	Kuwait	Fils.625	Poland	Zl 38,000	Tunisia	Din1.500
France	FFr9.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00

Milan magistrates step up investigation of Italian leader's business empire

Berlusconi warned he faces questions in bribery probe

By Andrew Hill in Milan

Italian magistrates yesterday warned Mr Silvio Berlusconi, the prime minister, that he faced questioning about bribery allegations as part of the "clean hands" investigation into political corruption.

The move is a sign that the *elite team of Milan* anti-corruption magistrates is stepping up *its investigation and* the *on-off* feud with the government, which took office in May.

However, in a statement broadcast on television last night, Mr Berlusconi hit back at what he described as "below-the-belt" attempts to destabilise the government, saying that "only a clear and explicit vote of no confidence" by tha lower house of the *Italian parliament* would induce him to resign.

Partners in his fragile coalition rallied to his support yesterday.

Mr Berlusconi repeated that he was confident the magistrates had no evidence for charging him personally with allegations that top managers at his Fininvest business empire paid kickbacks to tax police in return for a favourable audit.

On news of the magistrates' decision, the lira slipped to a new low of L1,035.5 against the *D-Mark yesterday afternoon*. Government bonds also weakened and Milan stock market indices fell by more than 2.8 per cent.

International investors fear that tha increased pressure on the prime minister might make it even more difficult for the government to push tough 1995 budget measures through the senate, the *upper* house *of parliament* where the coalition does not have a majority. The senate starts debating the proposals today.

Tagentopoli touches highest level .... Page 2
Lex .... Page 22

The magistrates' warning does *not imply* any *guilt* on Mr Berlusconi's part, and under special rules he *may* be interviewed at his official residence in Rome rather than in the draughty Milan palace of justice.

However, the prime minister was clearly angered by the timing of the announcement. It came at a moment of maximum international exposure for the Mr Berlusconi, who has been hosting the United Nations conference against international crime in Naples, and at a low point in his *10-month-old venture into politics*.

Forza Italia, the party Mr Berlusconi founded in January, is recovering from a poor performance in regional and local elections on Sunday, and his government is engaged in a bruising battle with trade unions over planned cuts to welfare and pension benefits.

"We *are not prepared* to allow a disgraceful abuse of criminal justice to massacre the first rula of democracy, which says that he who has the votes to govern shall govern," the prime minister said on television last night.

Mr Berlusconi is likely to be questioned about his alleged involvement in two or three cases of bribery by subsidiaries of Fininvest, the media, property and financial services empire he *built from nothing*.

The prime minister has already admitted publicly that bribes were paid by the group, although he has pointed out that the sums paid – no more than L130m ($81,000) in each case – were small by comparison with overall turnover.

His brother Paolo has taken

Continued on Page 22

Silvio Berlusconi, at a conference in Naples yesterday, hit back at "below-the-belt" attempts to destabilise the government Reuter

US rate rise fears hit equity markets

By Philip Coggan in London and Lisa Bransten in New York

World equity markets declined yesterday on fears that US interest rates would have to rise further to head off inflationary pressures.

On Wall Street, shares fell *again in early trading* as investors continued to worry that rate rises would depress the growth of corporate earnings. Last week, the Federal Reserve, the central bank, increased the federal funds rate by ¾ of a percentage point to 5.5 per cent, but analysts are not convinced it has done enough to damp inflationary pressures.

After an early decline of 32 points, tha Dow Jones Industrial Average fluctuated sharply yesterday but by 1pm it was still down 11.10 at 3,758.

Mr Thomas McManus, an equity market strategist at the securities firm Morgan Stanley, said the market was finally realising that the Fed was likely to succeed in slowing the economy. Ha said broad declines in Morgan Stanley's index of cyclical stocks since October 28 indicated there would be a further correction in the market.

While the US equity market has headed lower so far this week, the Treasury bond market has been steady. Mr Stephen Shobin, chief technical analyst at securities firm Lehman Brothers, said this could be a signal of an uncoupling of the two markets.

Monday's 45-point fall in the Dow had depressed Asian and European markets, with the latter falling further once the Dow opened weaker yesterday.

European share markets fell across the board with the FT-SE 100 index dropping 42.3, or around 1.4 per cent, to 3,078.7. Most European bourses declined by around 1 per cent, with the exception of Italy, where the Mibtel index dropped 2.8 per *cent on news that Mr Silvio* Berlusconi, prime minister, faced a bribery probe.

In Tokyo, the Nikkei 225 average fell below 19,000 for the first time since February while in Hong Kong, the Hang Seng Index, dropped 3.8 per cent, its biggest one-day fall since March.

Tokyo markets, Page 26
World markets, Page 42

US threatens Serbs with tougher action

Attacks on Bihac continue despite Nato bombing to disable airfield

By Laura Silber in Belgrade and Bruce Clark in London

A war of nerves intensified between the United Nations and *the Serb forces in Croatia and* Bosnia yesterday as Mr William Perry, US defence secretary, threatened to follow up this week's multinational bombing raid with much tougher action.

Bosnian Serb leaders vowed to exact "painful" retribution for Monday's Nato action, which disabled the airfield at Udbina in a Serb-held part of Croatia.

The exchange *of threats* came amid reports of fresh Serb gains in the north Bosnian enclave of Bihac, where several villages were seized from Moslem-led government troops and set ablaze. Government forces said hand-to-hand fighting had broken out in a suburb of Bihac town, a UN-protected area which occupies a small part of the enclave.

Mr Perry said any future operations against the rebel *Serbs in Croatia would* include the destruction of aircraft as well as ground installations.

"If they go in tomorrow or the next day with another bombing attack, then we'll go back and blow up their airplanes," he said.

However Mr Andrei Kozyrev, the Russian foreign minister, *said air raids against* the Serbs should not be carried out too *often. He said Moscow* would withdraw its own peacekeepers from Bosnia if "massive air strikes" were launched.

Monday's raid, by more than 30 aircraft from the US, the UK, France and the Netherlands disabled the Udbina airfield and targeted ground-to-air missile *systems, but deliberately avoided* destroying aircraft.

Bosnian Serb leaders, in close alliance with the Serbs of Croatia, yesterday warned of retaliation against the UN and Nato. Mr Radovan Karadzic, president of the self-proclaimed Bosnian Serb state, said: "We are considering the possibility of retaliating. We will determine the time and the targets, doing our best to make it very painful."

General Ratko Mladic, the Bosnian Serb commander, told tha head of the UN forces in former Yugoslavia that there was no further reason for peacekeepers to be deployed in Bosnia and he could not guarantee their safety.

Relief workers warned of an impending humanitarian disaster *in Bihac, where 180,000 civilians* cannot get emergency supplies. UN officials said tha Serbs seemed bent on preventing further convoys of food reaching the area as long as the Bosnian government army went on fighting.

The UN office in Zagreb, in an unusually specific warning to the Serbs, said there could be further punitive air raids if UN peacekeepers or the *town of Bihac* came under fire. Any further use of ground-to-air missiles against *civilian* targets could also incur punitive action, said Mr Michael Williams, the UN spokesman.

Reuter adds from Copenhagen: A Danish court yesterday jailed Refic Saric, a Bosnian Moslem, for eight years for torturing prisoners of war to death in a Croat-run prison camp in Bosnia last year. The verdict was the first in a series of war crimes trials being *held outside former Yugoslavia.*

UBS board beats challenger in share conversion battle

By Ian Rodger in Zurich

Union Bank of Switzerland's board narrowly won a controversial proxy battle with Mr Martin *Ebner* at yesterday's extraordinary meeting which attracted a record 6,700 UBS shareholders.

The board needed a two-thirds majority of all votes and won 66.8 per cent of those cast by the company's registered and bearer shareholders. The vote was over the board's proposal to convert *registered shares* into bearer shares. Sentiment in the packed sports stadium in suburban Zurich during the 2½-hour debate was clearly behind the board, partly reflecting the presence of many employees who feared for their jobs if Mr Ebner got control.

As expected, Mr Ebner, a Zurich broker-fund manager whose BK Vision is UBS's largest shareholdar, immediately filed an application for an injunction to prevent the bank from proceeding with its plan to convert its registered shares.

BK Vision claims the registered shareholders should have been allowed to vote separately on a plan that would strip them of their extra voting rights without compensation. "No one can leave *this meeting with a good feeling*," Mr Ebner said after the vote. "There are no winners today."

The board hastily put forward the share conversion proposal because it feared Mr Ebner and his allies were trying to win control of the bank through the accumulation of registered shares, *which have a par value* one-fifth that of the bearers.

Lex .... Page 22

The proxy battle, which was really over the board's strategy and performance, attracted buge interest in *Swiss financial circles*.

The number of shareholders who *attended* yesterday's meeting was double that of the last annual meeting in April. More than 88 per cent of the 35.9m shares with voting rights were represented.

Even before the vote, the event *was something of a moral victory* for Mr Ebner who has beeo putting pressure on *the* UBS board for three years to become more sensitive to shareholder interests.

Mr Nikolaus Senn, UBS chair*man, said in an opening speech* that raising the group's earning power and exercising strict control over risk were the main goals for the 1990s.

But Mr Ebner won applause for his complaints about the strong pressure put on employees and customers to vote their shares in *favour of the board*.

BK Vision now has a week to produce evidence supporting its demand that UBS be prevented by injunction from converting the registered shares into bearer shares until an appeal is made.

If the injunction is granted, BK Vision will have two months to prepare its appeal to *the* commercial court. This would almost certainly mean the registered shares, with their extra voting power, would still be in existence for the next annual meeting in April.

At that meeting, 10 of the 23 directors' terms expire, and Mr Ebner *has made* clear *he will try* to win shareholders' support for substantial board changes.

CONTENTS

No 32,531 Week No 47 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Tangentopoli touches the highest level

The judicial shadow hanging over Silvio Berlusconi will prolong Italy's damaging political uncertainty, writes Andrew Hill

For a polished performer like Mr Silvio Berlusconi, Italy's prime minister, the task of hosting this week's UN conference on cross-border crime in Naples looked simple: photo opportunities with the UN secretary-general, a tough line on money laundering and the Mafia, and a chance to improve a dented international image.

But the job seems to have turned into a cruel joke against a man already visibly wearied by his short experience of politics.

On Monday, the prime minister was obliged to defend his 10-month-old political movement, Forza Italia, following a poor showing in Sunday's regional and local elections. Then, just after lunch yesterday, Mr Berlusconi received a formal warning from Milan magistrates that they wanted to question him soon about allegations of hribery and corruption at the top of Fininvest, his private media, financial services and retailing group.

Putting a hrave face on the news, he was expected to return to Naples last night or this morning for the closing sessions of the UN conference.

Mr Berlusconi has been sent the formal warning, or *avviso di garanzia*, in his capacity as controlling shareholder of Fininvest, and it does not imply that he has committed a crime.

What is certain, however, is that Milan's crack anti-corruption magistrates would not have risked undermining the government, and upsetting the financial markets, without first ensuring that they could justify the sending of a formal warning.

They learned that lessoo in October, when Mr Francesco Saverio Borrelli, who heads the Milan team invaatigating Italy's hribes scandal or *Tangentopoli* (bribesville), told the press that the inquiry was reaching "high political levels". Even some of his supporters thought the comments ill-judged and they triggered the resignation, later retracted, of Mr Alfredo Biondi, the justice minister. Mr Borrelli was obliged to clarify that no *avviso di garanzia* was pending for the prime minister. Technically, that may have been true. Apparently, Mr Berlusconi's name was only added to the list of people in line for investigation on Monday.

The formal warning is believed to relate to the Milan magistrates' investigation into bribes of L130m (£52,000) and L100m paid to tax police by Mondadori, Fininvest's publishing subsidiary, and Mediolanum Vita, its life assurance subsidiary, in 1991 and 1992, in return for a favourahle tax audit. These are not new allegatinns. Mr Berlusconi's brother Paolo was arrested in connectinn with the same inquiry during the summer and later released. Both hrothers have admitted publicly that bribes were paid, and Paolo has assumed responsibility for giving the orders.

Tbe prime minister's line, repeated agaio yesterday before the formal notice of investigation was published, is that he has committed no crime, and therefore need not resign. If Fininvest's top managera erred, it was because, "like thousands of other managers and entrepreoeurs", they were victims of extortion rather than actively involved in corruption.

But critics argue that this is not just a matter for Mr Berlusconi's conscience. The magistrates' decision, coming so soon after Forza Italia's disappointing performance in Sunday's elections, is bound to bolster the morale of the opposition parties and trade unions.

That could make it more difficult for Mr Berlusconi to push through the controversial 1995 budget in the senate. The budget measures, which include cuts in welfare and pension benefits, were approved by the lower chamber of deputies on Monday, but the main government parties do not have a majority in the senate.

The next test for Mr Berlusconi's strength will be tomorrow's talks with Italy's trade unions federations, aimed at averting a general strike on December 2, the second in as many months.

It seems unlikely, however, that this will lead to new elections, so soon after the March poll, which was welcomed as a new start for a country undermined by widespread corruption. Mr Oscar Luigi Scalfaro, the Italian president, indicated on Monday that in any case he would call for a "presidential government" if the coalition collapsed, rather than dissolve parliament.

Of Forza Italia's coalition partners, Mr Gianfranco Fini, leader of the right-wing National Alliance, has used Sunday's election results to call for unity between the government parties, while Mr Umberto Bossi, the volatile leader of the populist Northern League, indicated yesterday that the government should hold on at least until full parliamentary approval of the budget, due by December 31.

What is more worrying, particularly for the international image of the government, is that the prime minister should still be working under the shadow of a judicial investigation. Defending Mr Berlusconi yesterday, Mr Biondi pointed out that the alleged crime "was supposed to have taken place when he [Mr Berlusconi] was a private citizen, just a businessman". But political opponents question whether this particular businessman should have taken the risk of running for high office without resolving a conflict of interest which is helping to prolong a period of damaging political uncertainty.

Commission has launched raft of court actions in move to outlaw unfair practices

Brussels gets tough on public contracts

By Andrew Taylor, Construction Correspondent

The European Commission has begun to bare its teeth as it tries to outlaw unfair practices preventing companies from winning pnblic sector contracts in other EU countries. It is threatening to seek a court injunction to halt work on a DM400m (£164m) German power station contract

Recent figures showing the huge amount of work still required to incorporate EU public procurement directives into member states' laws underline the scale of the task.

Eight public works directives should have been included in domestic law hy July 1, hnt, by the end of October, bad nnt happened in a third of cases, according the Commission. At that point it started 28 proceedings against governments for failing to include the directives in domestic legislation or for doing so incorrectly. But its threatened injunctinn, which could stop a live project, is an unusual step.

Germany, long identified as one of the worst offenders, is the subject of legal proceedings on two of the eight puhlic works directives and may face action on another four. Only Denmark, Luxembourg and the Netherlands have fulfilled their obligations – "with a few minor exceptions" – to enact all eight.

The directives, which require all public contracts of more than Ecu200,000 (£157,000) to be advertised in the Official Journal of the European Communities, seek to ensure that all EU companies are treated equally when bidding for public sector contracts.

They demand that contract procedures and technical standards should not be used to favour domestic companies. Contract conditions should be clearly stated, and standardised forms used as much as possible. Conditions once published should not changed to favour one bidder.

The Commisslon has heen particularly concerned about the practice in some southern Mediterranean countries of reopening negotiations after contracts have been awarded.

In these instances a favoured supplier can safely hid a very low price, secure in the knowledge that this will snbsequently be renegotiated along with other contract conditions.

Brussels says this may encourage corruption if final costs are not subject to open competition but determined by consultation between local officials and the winning bidder.

The number of legal actions pursued by the Commission against governments and public authorities for failing to apply the directives to specific contracts has more than doubled during the past 12 months to about 250.

In one of the most recent, Brussels is threatening to seek an injunction in the European Court to prevent work starting on a steam turbine contract for a DM5bn power station at Lippendorf in eastern Germany.

It wants the recently privatised eastern German electricity company, Veag, to reopen the hidding for the DM400m contract a steam turbine for which was awarded to a German subsidiary of Swiss-Swedish group Asea Brown Boveri.

The German suhsidiary of General Electric of the US which claimed it was "unfairly excluded from the final round of price negotiations" complained to a Berlin court that European companies, such as ABB and Siemens, traditionally had been been treated by the German power sector as "court suppliers".

Legal action is not the only weapon at the Commission's disposal. Governments which fail to apply or police directives properly have heen warned that EU soft loans and grants, from the so-called structural funds, may not be availahle for puhlic works if proper procedures are ignored.

Greece and Spain, following warnings, have agreed to abandon their practice of reopening negotiations after contracts have beeo awarded.

The prize for the Commission and companies seeking to break into other countries' markets is large. Public procurement in the EU totalled Ecu595bn in 1990, equivalent to 14.4 per cent of gross domestic product. Only 2 per cent of this was awarded to companies from another country.

Bank plan to sell Tapie's mansion

By Andrew Jack in Paris

Mr Bernard Tapie, the controversial French businessman and politician, could face the loss of his luxurious Paris house in the next few weeks as part of his legal battle with Crédit Lyonnais.

The embattled state-controlled bank said yesterday it intended to sell "as quickly as possible" the assets controlled by Mr Tapie secured against its loans to him and his network of companies if it wins the latest of a series of court battles against him today.

First to go is likely to be the Hôtel de Cavoye, Mr Tapie's mansion in the fashionable seventh arrondissement, which some experts have valued at FFr100m-FFr160m (£12m-£19m).

This may be followed rapidly by attempted sales of his shares, and the yacht Phocéa in Marseilles. Also up for sale would be his collection of antiqne furniture and paintings, many of which he attempted to remove to secure hiding places earlier this year.

The ability of Crédit Lyonnais to sell the assets will depend on a judgment today in the Tribunal de Grande Instance in Paris, resulting from an appeal heard last month in which Mr Tapie argued that the bank must stick to the original terms of an agreement reached in March to repay his debts over five years.

The bank says he failed to keep his side of the agreement, which included providing two independent expert valuations of his assets against which the repayments were tn be secured. One estimate has put the total worth at FFr300m, against loans to him of about FFr1.2bn.

Crédit Lyonnais is under considerable pressure to act after widespread criticism of its lnsses, which reached FFr4.5bn in the first half of this year. Its loans to Mr Tapia were nne of the principal issues raised by customars whn took advantage nf an npen evening tn voice their concerns.

Mr Tapie is separately suing Crédit Lyonnais over a claim that the bank is partly responsible for the management of the companies he controlled, and nver a series of advertisements which inclnded an unflattering cartoon of him. A court is also due to decide next month whether his companies are hankrupt and must be wound np.

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EUROPEAN NEWS DIGEST

Alcatel stands by Guichet

The board of Alcatel CIT, the French telecoms equipment company, yesterday refused to accept the resignation of its chairman, Mr Pierre Guichet, who has been detained in prison by a magistrate investigating alleged overbilling of France Télécom, one of the company's biggest clients. Mr Guichet, who was imprisoned on Monday evening, had tendered his resignation to avoid damage to the company's relations with France Télécom. But the board, which said it was shocked by the detention order, rejected the move in a show of support for Mr Guichet. A spokesman for Alcatel described Mr Guichet's detention as completely unjustified and said the investigation would prove his innocence. A company official indicated, however, that the chairman's request to step down could be considered by a future board meeting when Mr Guichet is able to participate. Mr Guichet's detention in a prison to the south of Paris pushed shares in Alcatel Alsthom, the parent company of Alcatel CIT, down by more than two per cent to FFr411. They later recovered some of their losses, but remain more than 50 per cent below their January level.

Industry analysts said that shares would remain vulnerable as a result of the continuing corruption investigations. "The group is very much in the magistrates's sights," said one electronics analyst at a French securities company. He added that investors had also been unsettled by the damage to relations with France Télécom. *John Ridding, Paris*

Brundtland eyes Yes vote

Mrs Gro Harlem Brundtland, Norway's prime minister, yesterday said she was confident of winning a Yes vote in a referendum next Monday on membership of the European Union, despite a continuing strong lead in the polls by opponents of the move. "I don't look upon the polls as bleakly as some people do; there has been a tremendous change in recent weeks," she said. Although the No camp continues to lead in the polls, the gap has narrowed significantly since Sweden voted to join the EU on November 13. Mrs Brundtland said she believed that many people would not make up their minds on the controversial issue until the last minute, as happened in the EU referendums in Finland and Sweden. She believes that the prospect of isolation facing Norwegians now that Finland and Sweden have decided to join the EU would be enough to make them understand what is at stake if Norway rejects membership for the second time.

"I don't believe in threats, but I do believe in appeals and responsibility and it's my conviction that it is best for Norway and its future and for Europe if Norway joins. I think one week is enough to get this point across," she said. *Karen Fossli, Oslo*

Curb on German banks

Germany's newly re-elected government planned to curb banks' inflnence on industry, Mr Günter Rexrodt, economics minister, said yesterday, but indicated that any new laws would be more likely to limit their seats on supervisory boards than force the sale of shareholdings. He said banks should contribute to the debate "instead of immediately pulling out the card of the constitutional court". This was a reference to the threat by Mr Hilmar Kopper, Deutsche Bank chairman, to go to the court if the bank was forced to sell holdings and pay high capital gains tax. Mr Rexrodt said the government would study the extent of banks' influence on industry before proposing laws. But if it decided to rein back existing holdings or limit new ones, it would use legally and constitutionally correct methods. "One cannot expect Mr Kopper to sell holdings of the Deutsche Bank and hand over half the proceeds to the state as tax." *Andrew Fisher, Frankfurt*

Hungary bank chief to quit

Hungary's central bank governor has said he will resign today, ending weeks of speculation that he would be unable to work with the country's new Socialist-led government. Mr Peter Akos Bod, appointed by the previous conservative administration in 1991, said it had been clear since the government took office in July that he did not have its full support. He was one of the main architects of the previous administration's economic policies. Top management at several large state companies have been purged by the government in recent weeks. Analysts said yesterday they did not expect Mr Bod's resignation to hava a serious impact on financial markets or central bank policies. However, they said much would depend on who succeeded Mr Bod who had not been due to step down until 1997. The front-runners are Mr Ferenc Bartha, government privatisation commissioner, and Mr Gyorgy Suranyi, managing director of Central European Investment Bank, a foreign-owned local bank. *Virginia Marsh, Budapest*

German court rules on N-waste

The German environment ministry yesterday said it hoped an administrative court would reach a quick decision clearing the way for a controversial shipment of nuclear waste to a storage site at Gorleben in northern Germany. The shipment has been standing for months in a railway siding at the Philippsburg power station in south Germany while the federal government and the state of Lower Saxony, where Gorleben is situated, did battle in the courts. It was to have arrived in Gorleben today but the environment ministry unexpectedly stopped the shipment late on Monday after a court near Gorleben had ruled that the fuel rods were incorrectly loaded at Philippsburg.

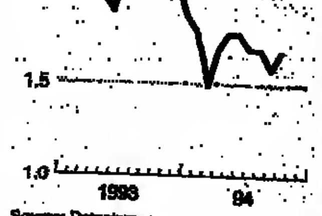
Ms Monika Griefhahn, Lower Saxony's environment minister and the most outspoken opponent of Gorleben, doubted the shipment could be moved this year. The state government had given its approval last week under pressure from the environment ministry. The Philippsburg waste would be the first shipment to Gorleben and has been fiercely resisted by people living near the site. *Michael Lindemann, Bonn*

ECONOMIC WATCH

Prices inch up in France

France: Inflation

Annual % change in CPI



Source: Datastream

French consumer pricas increased by 0.3 per cent in October, giving a relatively stable annualised inflation rate of 1.7 per cent, according to Insee, the national statistics office. The figures confirmed the weakness of inflationary pressures in tha economy, despite stronger than expected growth this year. Consumption, however, has remained fragile, with a weakening expected in October'a figures. The prices of mannfactured products remained unchanged in October, whila the index for energy and public sector services declined slightly compared with September. Upward pressure was provided, however, by food prices, which increased by 0.9 per cent month on month. *John Ridding, Paris*

■ Germany'a output of cars and trucks rose by 5.3 per cent last month from a year earlier despite having one less working day, said the VDA German motor industry association. In October, Germany produced 355,400 cars, 14,000 trucks up to six tons, and 9,900 other trucks.

■ Year-on-year inflation in the European Union was 3 per cent last month, according to Eurostat. The provisional figure was unchanged from September and at its lowest level in seven and a half years. The rate was 3.3 per cent in October 1993.

■ The debts of Russia and the former Soviet Union totalled almost $113bn at the start of the year, according to official figures obtained by Reuters. Soviet debts are at $103,940bn and Russian debts are $8,840bn.

Spring sets out terms for coalition

By John Murray Brown in Dublin

Ireland'a parliament yesterday adjourned after failing to elect a new prime minister, paving the way for a week of intensive horse-trading as political parties searcb for a fresh coalition government.

Mr Dick Spring, the Irish Labour party leadar, set out tough new conditions for Labour to go back into partnership witb Fianna Fail, Ireland'a largest party, following last week's break-up of the 22-month coalition and the resignation of Mr Albert Reynolds as prime minister.

Mr Spring is calling for a new freedom of information bill, an easing of the rules on cabinet confidantiality, more accountability oo judicial appointments and a review of official secrets legislation. He also wants recent ministerial pay rises rescinded.

The Labour party is using its strong position in the polls to dictate a new liberal agenda before agreeing a coalition with the more conservative Fianna Fail party.

Mr Spring'a "strategy for renewal", unveiled to tha parliamentary party over the weekend, is partly a response to last week's crisis when Mr Reynolds mislad parliamant over the attorney-general's role in the controversial case of a paedophile priest's extradition. Mr Spring has struck a popular chord on many of the issues.

The question of cabinet confidentiality has already been challenged unsuccessfully in the supreme court when, during the beef tribunal, Mr Reynolds was accused of selective cabinet document leaks in the investigation into the misuse of official export credits in the beef industry in 1991.

Opinion remains divided within Labour ranks abont whether to join forces again with Fianna Fail, with many of the Fianna Fail ministers implicated in Labour eyes in the extradition case. Moreover, many Fianna Fail MPs are still bitter about Mr Reynolds' downfall, which some see as having been precipitated by Mr Spring, and seem prepared to go into opposition.

In this case, Mr Spring would have to look for a partnership with the conservativa Fine Gael and one of the smaller parties, which could be more problematic given Mr Spring's personal difficulties with Mr John Bruton, Fine Gael leader.

The Labour leader's proposals are broadly in line with ideas ontlined by Mr Bartie Ahern, new Fianna Fail leader, on Saturday.

But one issue of contention could be Northern Ireland policy, where Mr Spring is keen not to be sidelined as he was by Mr Reynolds.

Mr Spring may challenge more traditional republican thinking with his calls for a "balanced conetitutional arrangement" – a clear reference to the current negotiations with London on the framework documant to provide a durable political settlement for the province.

Mr Spring said: "Wa will have to seek to define our nation more in terms of its people, in all their diversity, and less in terms of its territory." Many observers believe this is largely a negotiating position.

Hans Tietmeyer: well accustomed to agenda-setting. Reuter

Budget deficits twice what they should be, says Bundesbank chief

Tietmeyer rails at Emu criteria

By Christopher Parkes in Frankfurt

After highlighting for months the inadequacies of the coovergenca criteria inlended to underpin Enrope's proposed monetary union, Germany's most eminent and garrulous spokesman on Emu yesterday came out with a comparatively clear counter-proposal.

Mr Hans Tietmeyer, whose other job is president of the Bundeshank, said maximum permissible hudget deficits for would-be Emu members under the Maastricht treatles were at least double what they should be.

For a country such as Germany, he said, 1 to 1.5 per cent of gross domestic product was nearer the mark than the "unambitious" 3 per cent written in the treaties.

Addressing a seminar in Bonn, where, as Mr Tietmeyer acknowledged, tbere is a strong feeling that Bundesbank technocrats should run mooetary policy and leave elected politicians to run the country and tend European affairs, he was careful not to present the formula as his own idea or one generated within the central bank.

He used a routine trick to protect himself and the bank from charges of interfering in the political process, and presented his proposal in the form of a public endorsement of euggestions mada by others. In this case, the deficit parameters were pot forward last week hy the so-called "five wise men", a group of independent advisers to the finance ministry.

Another increasingly familiar ploy was put to work in the same speech yesterday. "Of course, the Bundesbank is no more responsible for social policy than it is for finance policy..." he said, prefacing a catalogue of characteristically uncomfortable suggestions for the government.

But as the increasingly prescriptive tone of Mr Tietmeyer's speeches and media interviews indicates, the convention that central bank officials should avoid political interference is one which chafes sorely.

As a one-time state secretary in the finance ministry, and responsible for the Bundesbank's foreign relations before his elevation to the presidency a year ago, Mr Tietmeyer is well known internationally and well accustomed to agenda-setting. Partly as a result he is also proving to be far more confident than his predecessor, Mr Helmut Schlesinger – not to mention his current colleagues on the permanent directorate – at manoeuvring on the knifa-edge between managing monetary policy and overt politicking.

But his apparent command of the broad horizons is also due in part to the fact that he, with the occasional exception of Mr Otmar Issing, chief economist for the Bundesbank's directorate, has granted himself almost exclusive rights as public spokesman for the Bundesbank.

Mr Tietmeyer took a firm hold of the Bundesbank's external communications after loose talk by some of his colleagues led to confusion about the directorate's policy aims early this year, and when confused explanations of rampant money supply growth brought the bank's prized credibility into question.

He has not let up since. In the first 12 months of his presidency he has made more than twice as many speeches as Mr Schlesinger in his last year of office. Mr Helmut Scheiber, his own successor as Bundesbank "foreign minister", has hardly been heard at all above the noise of tha president'a constant protests that the Maastricht criteria are too sloppy and that the EU is ill-prepared politically for the great leap into monetary union.

Mr Tietmeyer's close personal knowledge of Chancellor Helmut Kohl has hitherto helped him judge how forcefully he can press for his rigorous European policy prescriptions without overstepping the mark. Now, with the weakened coalition govarnment still unsure of its capacity to act decisively, he may feel aven more confident of speaking his mind and issuing his prescriptions.

He will certainly be encouraged to speak out further by the prospect of the looming EU summit in Essen on December 9 and 10 to seal Germany's six-month presidency. Whatever Mr Kohl'a ambitions for the grand occasion, Germany's most listened-to Emu spokesman is unlikely to allow any of the leaders to return home burdened with any misunderstandings.

EU's outstretched hand to the east begins to waver

By Lionel Barber in Brussels

Germany is having second thoughts about inviting central and eastern European leaders to next month's European Union summit in Essen, despite pledges to make the meeting a cornerstone of the strategy to build a "wider Europe".

German donbts appear to stem from sensitivities toward France, which earlier thia year expressed reservations abont Germany'a championing of the canse of enlargement of the Union to the north and east.

But Bonn is also concerned abont slow progress in talks on a more generous EU market access package for the former communist countries. Without sucb a deal – and a clear EU consensus on bow to proceed with enlargement to the east – German officials fear that the Essen summit could be branded as a failure.

Mr Jan Kulakowski, Poland's ambassador to the EU, said yesterday the Polish government had been told that Chancellor Helmut Kohl intended to invite the central and east Europeans to Essen.

However, some member states remained reluctant, with France holding out to delay the invitatioo until the next European summit in Cannes in June 1995. "An invitation is still possible," be said, "but it is getting late."

German officials confirmed this account, saying that France was anxious to host an important event at tbe eod of the EU presidency which it takes over from Germany on January 1. French interest had grown after Spain, the successor EU presidency, won support for hosting a conference oo the Mediterranean.

"It is very important to balance the regions," said one German official who pointed out that it might make more sense for France – rather than Germany – to take the credit for a successful summit on strategy toward the East.

Behind the diplomatic manoeuvring lies a debate within the European Union abont how – and whether – to speed np the integration of eastern Europe, starting with the six EU associate members: Poland, the Czech repnblic, Hungary, Slovakia, Bnlgaria and Romania, as well as tbe Baltic states and Slovenia.

Germany, worried abont instability on its eastern horders, is pressing for early EU enlargement, possibly around the turn of the century. The UK shares this goal, but is worried that more EU members may trigger pressure for faster political integration. France, backed by the Mediterranean bloc, wants to ensure that enlargement does not dilnte the EU into a free-trade area.

All member states are worried abont the cost: on present EU farm and regional aid policies, the EU hudget for an enlarged Union would rise from Ecu30bn (£24bn) to Ecu45bn, and Ecu25bn to Ecu60bn respectively, according to a European Commission official.

Paris and Bonn have co-operated with the European Commission in developing a "pre-accession" strategy, the centrepiece of which is a consultation paper wbich next spring will set ont a list of measures for the central and eastern Europeans to adopt to become fit for EU membership.

Chrystia Freeland adds:

Hungary has proposed a firm timetable to negotiate its accession to the EU, calling for talks to begin as soon as the member states conclude their 1996 inter-governmental conference, leading to full membership by the year 2000.

Mr Laszlo Kovacs, the Hungarian foreign minister, called on the Commission to draw up its own formal opinion on his country's application for membership before the 1996 conference begins, in order to speed up the process.

French goal is faster decisions

By David Buchan and Edward Mortimer in Paris

France intends to use its forthcoming European Union presidency to start pushing for institutional reform in the 1996 constitutional conference, and to give Europe a stronger cultural identity.

Mr Alain Lamassoure, EU affairs minister, yesterday told a seminar here that expansion of the Union to include three, and maybe four, new countries next year, and the perspective of future enlargement to the east, required "an institutional revolution", particularly in foreign policy decision-making.

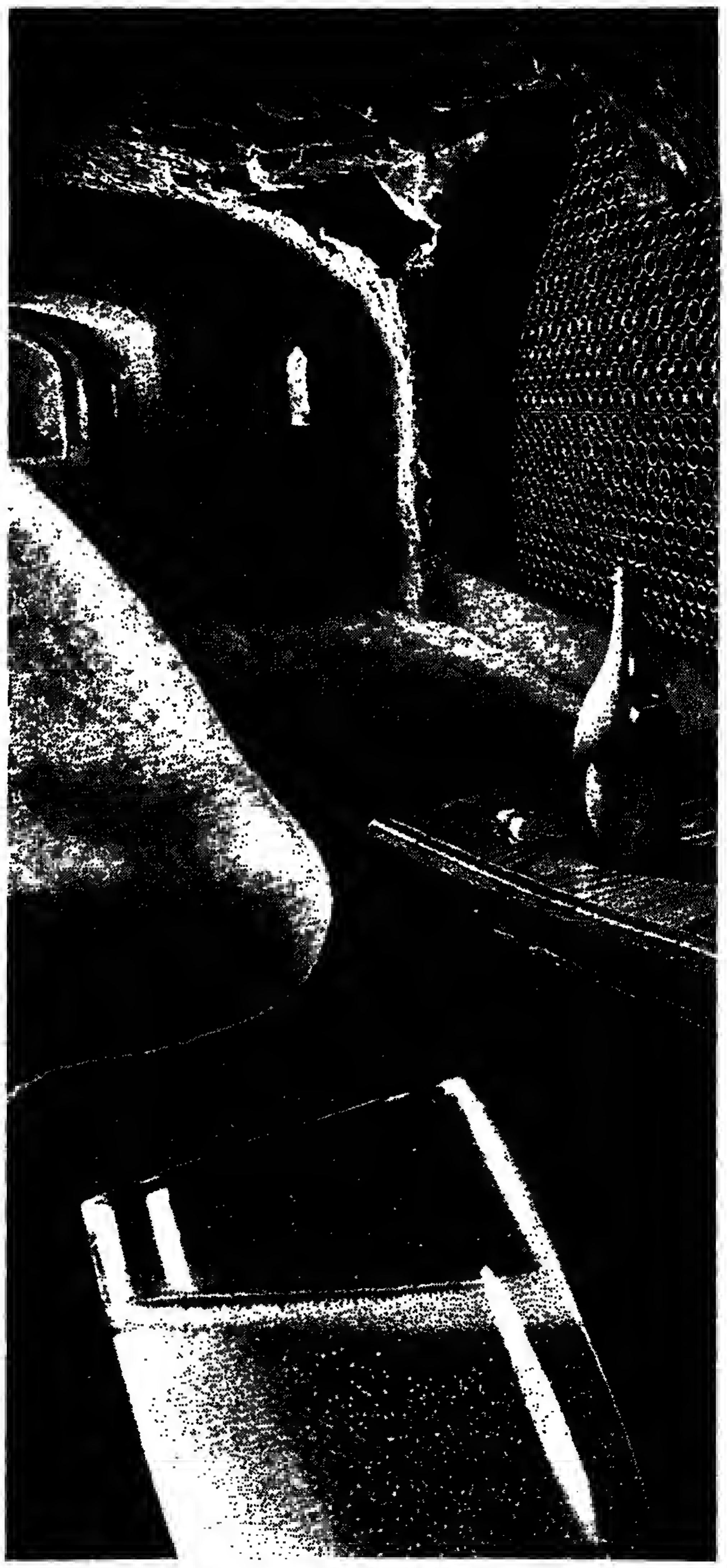
The minister suggested that one way of speeding Council of Ministers' decisions would be to hive off its lawmaking function into public sessions, with open debate and votes. Its executive rola of managing the Union would remain confidential. In this latter role, the Council "must move further and faster in foreign policy and defence", as illustrated by its shortcomings in Bosnia.

Mr Lamassoure reiterated a previous suggestion that the EU must have some kind of body to define, propose and implement its planned common foreign policy, just as the European Commission does for internal Union policies.

However, ha atressed that while the government had decided on the broad outlines of its presidency programme – which Prime Minister Edouard Balladur is expected to unvell in early December – its plans had yet to receive the green light from President François Mitterrand. At last week's Anglo-French summit at Chartres, the president said the 1996 conference should first consolidale commilments of the Maastricht treaty before embarking on new initiatives.

Separately, in an interview, Mr Jacques Toubon, culture minister, said France would pursue three priorities during its presidency. First, it would seek revision of the satellite broadcasting directive to place more control with countries such as France receiving English-language broadcasts and less with those countries, such as the UK, from which transmission took place.

Secondly, France would try to interest its partners in committing themselves to an intergovernmental convention requiring the teaching of at least two foreign languages. "The first foreign language taught would almost always be English, but the second might be French, Spanisb or German," he said. Lastly, Paris would urge the EU to increase funding for its "Media Programme" to help the distribution and promotion of European films.



Asian oilmen's troublesome pipedreams

New routes are the key to exploiting the region's big reserves, write Steve Levine and John Lloyd

Failure to find politically acceptable export routes is impeding the flow of oil and natural gas from central Asia to western markets. Three deals depend wholly or largely on pipeline routes out of the Caspian for their viability.

First, the US oil company Chevron's project at Tengiz in Kazakhstan – in which over $600m has been invested and around $20bn is scheduled to be put in during the project's 40-year life – still awaits agreement on financing a new export pipeline. Only 60,000 barrels a day are allowed through the existing pipelines.

Secondly, the $8bn deal between a group of 10 foreign oil companies led by BP and the Azerbaijan government to exploit reserves off Baku was ratified by the Azerbaijani parliament last week – but no route out for the oil is agreed.

Thirdly, a deal should be closed by November 30 to allow development of the massive Karachaganak gas field in Kazakhstan by British Gas and Agip of France – bnt it lacks transportation.

In each case,the companies have sought or agreed Russian participation to satisfy Moscow's demands that it benefits from the deals. But so far the result has been deadlock: "Russia does not seem so interested in making money as in keeping all of these countries under its thumb," says one frustrated oil company executive in Alma Ata.

The contrasting view is that the blockages are temporary and that the sheer energy wealth of the area will sooner rather than later produce agreements. Mr Steve Remp, chairman of the British oil services company Ramco, a member of the Azerbaijani consortium, says that "what you will see in due course is that the issue will turn from being a liability to being a very positive generator of income for the area".

The key player in these increasingly grand geopolitical manoeuvres is Russia. Mr Yuri Shafranik, the Russian energy minister, made clear last week that Russia must have a major stake in all energy projects. This policy which has meant that the Lukoil oil company and the Gasprom gas corporation have substantial stakes in the Azerbaijani and Karachaganak fields, and that Russian pressure has been able to block any pipeline deal.

A host of different schemes are now being discussed by the states and companies involved – all of which would require multi-billion dollar financing.

● Upgrading the existing pipeline which carries Russian and some Chevron oil to Novorossisk, Russia's main oil exporting port on the Black Sea.

One plan being considered by the Baku consortium is to reverse the pipeline which used to carry crude from the Russian province of Tyumen to the Baku refinery, so that it carried Azerbaijani oil out to join an existing pipeline to Novorossisk. This line could also carry oil from Kazakhstan. The largest problem comes after Novorossisk. Turkey, pressing for a line through its territory, has said the Bosphorous straits through which ships from Novorossisk must pass, cannot take any more tankers: the Russians have responded by proposing that the oil is transhipped to Burgas, on the coast of Bulgaria, then piped to the Greek port of Alexandroupolis.

● A line through Iran or Georgia to meet an existing line which had carried Iraqi crude to the Turkish Mediterranean port of Ceyhan. The problem with this line is that it goes through Kurdish areas but avoids the Bosphorous. Further, Azerbaijan announced last week that the Iranian Oil Company had joined the consortium – prompting speculation that this route, or another through Iranian territory, could now be in prospect.

● A line through Georgia to the port of Batumi on the Black Sea – to be again transhipped to Burgas, piped to Alexandroupolis and out through the Mediterranean. Georgia would benefit from this – but the government is in no state to guarantee the security of the line.

● The most radical proposal, under study by Mitsubishi, is to coustruct a pipeline from Kazakhstan and Turkmenistan 1500km through western China where it could link up with an existing pipeline from China's Tarim Basin to the coast.

● Turkmenistan, the region's main gas producer, needs a new exit most since Russia controls its gas lines beyond its borders and has put a block on much of the expected $1bn annual proceeds from gas sales. Three weeks ago a $7bn gas pipeline project to take the gas to the Mediterranean was inaugurated – though no one believes the work will begin soon and many believe the project is more symbolic than real. The only sure thing is that the manoeuvres will continue.

Gatt criticises Canada's high farm trade tariffs

By Frances Williams in Geneva

Canada has made considerable strides in liberalising trade and industrial policies but lingering high trade barriers remain an obstacle to growth and job creation, according to the Gatt secretariat in a report published yesterday.

The report, the third on Canada's trade policies and practices by the General Agreement on Tariffs and Trade, singles out for criticism high tariffs on imports of farm produce, barriers to trade between the provinces and the proliferation of anti-dumping and anti-subsidy suits over the last two years.

It also expresses concern over Canada's rapidly expanding trade with the US, noting the fears of trading partners that they may be the losers in diversion of trade to the US and Mexico, Canada's partners in the North American Free Trade Agreement (Nafta).

Gatt points out that rising exports have helped fuel Canada's economic recovery since 1992 but this has been largely due to higher deliveries to the US.

The US share in Canada's exports has risen from around 75 per cent in 1990 and 1991 to more than 80 per cent in 1993. Exports to other countries stagnated over this period.

Worries that Nafta, which came into force at the beginning of this year, could spur trade diversion featured prominently in yesterday's discussion of the report by Gatt's governing council.

In reply, Canada said it was trying to diversify its trade, especially towards Asia. Under the Uruguay Round global trade accords, Canada will reduce industrial tariffs by 40 per cent, a little above the average for developed nations. But its farm trade barriers will remain relatively high.

In the short to medium term, the dairy, poultry and eggs sectors will be effectively closed to imports, Gatt notes. Over 100 agricultural import quotas will be replaced by tariffs averaging 205 per cent in 1995 and 174 per cent in 2000. The report says the estimated 500 or so inter-provincial trade barriers have become a major problem for Canadian business, hampering the free internal flow of goods and services.

It also points out that the number of anti-dumping and countervailing duty actions has increased markedly since the last report in 1992, largely concentrated on steel. With over 80 anti-dumping measures covering 23 products currently in place, Canada is the third largest user among Gatt members, the report says.

US agrees to accept Australian beef tests

By Nikki Tait in Sydney

The US yesterday agreed to release for sale Australian beef exported after October 25 but said it required further testing of beef exported before that date because of possible contamination from a chemical used in the growing of cotton.

Recent decisions by the US and Japan to temporarily ban the sale of Australian beef have clouded the industry, which earns around A$3bn ($2.2bn) of overseas revenue annually, making it the nation's third largest export sector. The US and Japan account for about three-quarters of those sales.

The Cattle Council of Australia, representing Australian cattle farmers, expressed relief that the US had agreed to accept the testing procedures which Australia now has in place. Samples of beef exported to the US before October 25 and still in the export pipeline are due to be returned to Australia where the tests will be conducted later this week.

Despite progress on the US front, Australia has yet to allay Japanese concerns. Moreover, a number of smaller buyers of Australian beef – including Canada, South Korea, Taiwan and Mexico – are understood to have joined the temporary ban. According to federal officials, more than 12,000 tonnes of Australian beef is being held at storage or customs facilities in these countries, while around 30,000 tonnes is in the Japanese pipeline.

Senator Bob Collins, federal primary industries minister, yesterday acknowledged that the problem was not over "by a long shot", although he added that Australia was "hopeful" that other countries would follow the US lead. Beef shipments made before October 25 and still in the export process are estimated to be worth between A$200m and A$250m.

The problem occured when some farmers fed cotton waste to cattle after normal grain supplies were affected by a severe drought on the east coast. The CCA has said that the chemical is non-toxic and that only a very small proportion of Australian cattle – those fed cotton waste from irrigated cotton – have any chance of being affected. All livestock from affected areas, predominantly in New South Wales, were being tested.

However, the beef industry has acknowledged that the adverse publicity from the contamination issue could be damaging in the longer term.

CONTRACTS & VENTURES

France to supply Saudi frigates

France has won a FFr19bn ($3.7bn) contract to supply Saudi Arabia with two 'stealth' frigates of its latest La Fayette-class. Thomson-CSF, the electronics group, will be the prime contractor for the Saudi frigates. This reflects the degree to which the La Fayette ships, with their box-shaped superstructures designed to minimise radar echos, contain the latest electronics. The main French subcontractors to Thomson-CSF – whose own contract is worth 30 per cent of the total – are DCN, the state navy yard which will build the hulls, and Aérospatiale which will provide Exocet missiles.

The French defence industry has been complaining about the recent commercial offensive mounted by its US competitors in export markets. But, strongly backed by the French government, it has pulled off successes this year by selling Mirages to Qatar and frigates to Pakistan. The latest sale to Saudi Arabia is known as "Sawari 2", following the "Sawari 1" sale in 1980 of four French frigates. Earlier this year Thomson won the order to re-equip these four ships and to supply new land-based Crotale and Shahine missiles in a deal also worth around FFr6bn to the French company. *David Buchan, Paris*

Malaysia signs power contract

Tarmac, one of Britain's biggest construction groups, is to take the lead role in a $250m contract to build a 1,000MW Malaysian power station which the British group says will be the largest in the country. The contract has been awarded to General Electric of the US but Tarmac is expected to be responsible for about three-quarters of the work.

The ban by the Malaysian government on awarding public sector contracts to British companies, only recently lifted, meant that the successful bid involving Tarmac, Black and Veatch, the US power station designers, and GE only remained in the running if the contract was to be awarded to a non-British company. TBV Power, a joint venture between Tarmac and Black and Veatch, will be responsible for designing, constructing and supplying equipment for phase three of the Sultan Salahuddin Abdul Aziz power station complex at Kepar in Selangor state. GE is to supply the turbines.

The power station, involving two 500MW steam turbine generators, is for the state power utility Tenaga Nasional Berhad and will supply electricity to Kuala Lumpur and the industrial Kelang Valley. Mr Neville Simms, Tarmac chief executive, said the contract, the biggest won by the group this year, formed "part of the group's new strategy to concentrate our efforts towards the growing markets in the Far East and Pacific rim". *Andrew Taylor, Construction Correspondent*

Alcatel in Egypt-Jordan deal

Alcatel Kabel Norge, the Norwegian subsidiary of Alcatel Alsthom, has signed a $70m contract with the power ministries of Egypt and Jordan to supply and install submarine cables to link their two electricity grids by 1997. The company will supply four cables to run 13km under the Gulf of Aqaba from the Egyptian resort of Taba to Aqaba on the Jordanian coast. The Kuwait-based Arab Fund for Economic and Social Development is providing full financing for the deal.

The deal is the first phase of an eventual plan to link the power grids of Egypt, Jordan, Syria, Lebanon, and Turkey and possibly also Israel, at a later stage in the present Middle East peace process. The cables will run to a depth of 800m, creating a world record for the laying of high voltage cables, according to Mr Ole Olavsen, Alcatel Kabel Norge's Middle East area manager.

The Egypt-Jordan cable contract was agreed as a submarine link when it was signed in August, before the recent peace agreement between Israel and Jordan. Egyptian electricity ministry officials have left open the possibility that Israel could join the shared grid later. Mr Olavsen said a route survey would begin almost immediately, cables would be made and tested in Norway in 1996 and the link laid in the Gulf of Aqaba in the first quarter of 1997. *Mark Nicholson, Cairo*

US-India link on aluminium

Reynolds Metals, the second largest US aluminium group, has signed several agreements to share its aluminium production and fabrication technology with two Indian groups: Hindustan Aluminium (Hindalco) and Sudarshan Aluminium (Sudal).

As an initial step, Reynolds is completing joint feasibility studies in the areas of primary aluminium production, aluminium automotive applications and packaging, said Mr Sekander Ahmad, vice president of strategic planning for Reynolds International.

Reynolds will help Hindalco, a subsidiary of the Birla Group, with three projects at its facility in Renukoot: upgrading an extrusion plant, expanding alumina refining operations and the installation and operation of an aluminium foil-rolling plant, scheduled to start in 1996. Sudal will be helped to upgrade its extrusion operation at Poona, which serves the architectural market. *Kenneth Gooding, Mining Correspondent*

■ Ingersoll-Rand, the US industrial equipment group, has won a $6.5m contract from Gasprom, the Russian gas monopoly, for German-made Klemm ground engineering drills, UK-made portable compressors and other equipment. Delivery will take place in January to February next year. *Andrew Baxter, London*

■ John Brown, part of the Trafalgar House engineering division, is to build two multi-million dollar projects in Chile and New Zealand for Methanex of Canada, the world's largest producer of methanol. Both projects involve expansion of existing Methanex plants. Terms were not disclosed but the proposed Chile contract, for which John Brown has signed a letter of intent, comprises most of the $275m which Methanex is spending on the project. *Andrew Baxter, London.*

■ Tokyo Seimitsu, the maker of semiconductor manufacturing systems, has tied up with Carl-Zeiss, the German optical instruments manufacturer, to supply and market precision measuring instruments. The two companies will co-operate in the supply of parts and open their marketing channels to each other. Tokyo Seimitsu will concentrate on developing instruments for measuring cylinders and Carl-Zeiss will focus on three-dimensional measuring instruments. The tie-up will provide Tokyo Seimitsu with a marketing route in Europe, where it has very little experience, and allow Carl-Zeiss to penetrate the Japanese market. *Michiyo Nakamoto, Tokyo*

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Jiang Zemin: 'To refrain from acts that broaden conflicts' Reuter

Beijing, Hanoi aim to settle Spratlys row

By Victor Mallet in Bangkok

China and Vietnam agreed yesterday to work peacefully to resolve their disputes over territorial and maritime boundaries, and are to set up a group of experts to discuss their rival claims to the Spratly atolls and the waters of the South China Sea.

A joint communiqué released at the end of a three-day visit to Vietnam by China's President Jiang Zemin said the two governments agreed to "refrain from all acts that make things more complicated or broaden conflicts".

The dispute over the South China Sea is especially sensitive, because each country is seeking to exploit oil and gas reserves believed to lie under the sea bed. Both countries have awarded oil exploration contracts to US oil companies in disputed waters.

Mr Qian Qichen, Chinese foreign minister, said in the Vietnamese capital Hanoi the two sides could shelve disputes and start "joint development" if problems could not be resolved in talks immediately.

Joint development of possible oil and gas fields in disputed maritime areas is a proven method of overcoming conflicts between two countries, but might not succeed in all areas of the South China Sea because there are four other claimants to some or all of the islands: Taiwan, Malaysia, the Philippines and Brunei.

Relations between Hanoi and Beijing have improved in the past few years following a war in 1979 in which China invaded northern Vietnam to retaliate against the Vietnamese invasion of Cambodia and the overthrow of the Chinese-backed Khmer Rouge government in Phnom Penh.

But Vietnamese officials say China has recently encroached on their territory, refused to open a railway link to allow normal trade across the land frontier, and let Chinese traders smuggle cheap Chinese goods into Vietnam.

Mr Jiang's visit, the first by a Chinese president, may not have brought much in the way of concrete achievements, but suggests the two governments want to set aside their differences and concentrate on the similar challenges each faces: keeping their one-party communist political systems intact while liberalising the economy.

"Both of our two countries are now working to develop our economies and improve the livelihood of the people," Mr Qian said. "For that purpose we need to establish friendly relations."

Bank lottery becomes freedom fight

The struggle is on to loosen Japan's iron controls, **Gerard Baker** writes

It started as a simple but ingenious marketing wheeze designed to lure customers in Japan's newly-liberalised market for bank deposits. But Johnan Shinkin's "Super Dream" account has become a national *cause celèbre*, a struggle by an independent-minded business to break free from the iron grip of regulatory controls.

The account was launched two weeks ago by the nation's largest credit bank, with the novel attraction of a lottery for savers. The standard interest rate on a one-year deposit would be 2.1 per cent, in line with similar one-year rates, but Johnan announced that every six months its customers would be entered in a lottery, with dozens of prizes to a maximum of Y50,000 (£324). Savers would have a one in 30 chance of winning a prize.

The new account was a spectacular success with savers who queued outside Johnan Shinkin's branches and poured a total of Y10bn (£64m) into "Super Dream" deposits on the first day alone.

But if it was a predictable hit with the public, it got an equally unsurprising thumbs-down from Johnan's banking competitors. They immediately cried foul, claiming the account broke a self-imposed rule by banks that they would not offer cash bonuses of more than a few hundred yen as incentives to depositors to open accounts.

The cuddly toy has long been a staple of Japanese banks' marketing techniques, but offering customers money is considered strictly out of bounds. The National Association of Shinkin Banks (small savings co-operatives) to which Johnan belongs, responded to its members' complaints by condemning the bank's scheme, upholding their objection that it broke the voluntary rule, and warning other members not to follow suit.

In the public outcry that followed, the country's Fair Trade Commission announced that it would investigate the NASB itself to determine whether its actions represented a violation of Japan'a anti-trust legislation.

The row has raised questions about the real extent of the freedom banks are supposed to enjoy as a result of financial liberalisation, and has aroused suspicions that the much-vaunted deregulation is not really much of a reform at all.

Last month, the final restrictions on bank deposit interest rates were lifted by the finance ministry. Since then banks have been free to offer depositors any rate they choose. But, as Johnan's president, Mr Minoru Makabe, points out, the advantages have somehow not been felt by the depositor.

"We have had many customers saying they appreciate the cash prizes because even though the financial sector has supposedly been deregulated, banks still offer similar interest rates."

Mr Makabe argues that his rivals' objections are actually based on a conspiracy to deprive the public of the fruits of deregulation.

His lottery account represents, in effect, an extra 0.2 per cent on the average deposit rate, a fact he claims is the real cause of the other banks' discomfiture.

But in an ominous move, the finance ministry, which regulates the banking sector, last week announced the formation of a panel to investigate the account and to recommend what kinds of financial products might be considered "appropriate".

Mr Jiro Saito, the top official at the ministry, acknowledged the probable legality of Johnan's action but said: "The law is not everything".

Critics see the ministry'a move as an attempt to consolidate its tight control even after the apparent liberalisation.

"This committee should recommend how the ministry should play a proper administrative role in the era of market liberalisation," said Mr Makabe. "It should conduct a drastic review of self-imposed rules that restrict competition."

It may prove difficult for the ministry to put the genie back in the bottle.

The account has won widespread support, and has come to be regarded as a symbol of the entrepreneur'a fight on behalf of the consumer against big government and big business.

Any attempt to rein it in would be regarded with hostility by the Japanese public.

The latest agency implicitly to declare its hand has been the National Tax Administration Agency, which said on Monday it would treat winnings in the lottery as non-taxable.

But the most significant threat to the regulators' plans could be the very phenomenon they were supposed to be encouraging: competition. At the waekend four banks announced they were breaking ranks with their association and launching similar lotteries.

Mr Toshio Taga, senior executive manager at Shonan Shinkin bank, one of the institutions planning to follow suit, said: "There is no other product which can collect tens of billions of yen in several days. This means users want it. It is a depositors' rebellion."

Most of Japan's main economic indicators are continuing to improve, according to the latest monthly performance index from the Economic Planning Agency. William Dawkins reports from Tokyo. Its leading index, a basket of economic indicators pointing to conditions a few months ahead, stood a 54.5 in September, the ninth month for which it has stayed above 50, the dividing line between growth and decline. EPA officials expects the leading indicator to continue to point to growth in October, on the back of rising industrial output. Manufacturing output increased by 1.6 per cent in the three months to September, achieving the third quarterly rise running, according to the Ministry of International Trade and Industry. Production continued to grow in October and November, said a separate Bank of Japan report yesterday.

Interest rates edge up in Japan

By Gerard Baker in Tokyo

The cost of borrowing in Japan has started to rise again after three years of easier monetary conditions.

The government's Housing Loan Corporation said yesterday it would raise its mortgage rates by up to 0.25 per cent next month. The decision, which follows recent increases in other public sector loan rates, comes as commercial banks struggla to avoid a rise in lending rates that would further reduce demand for loans.

The upward pressure on lending costs stems from the gradual rise in money market interest rates since the summer. Having fallen steadily since late 1991 as the economy plunged into recession, the overnight call rate – the principal very short-term money market figure – touched bottom in July, reaching 2 per cent. Since then it has edged up to nearly 2.3 per cent this week. This rise has been reflected in an increase in bank deposit rates – three-month certificate of deposits have moved in line with the overnight rate.

The higher cost of funds has further trimmed banks' razor-thin lending margins – the short-term prime lending rate has been unchanged at 3 per cent for more than a year.

The upward drift in banks' borrowing costs has been caused by a shift in sentiment in financial markets that the economic recovery, which has so far been sluggish, is set to strengthen. The Bank of Japan, which has adopted a bullish stance on economic prospects has allowed rates to rise in line with its own expectations of improving growth prospects.

As bond prices have fallen in line with global bond markets, long-term lending rates have risen and that has added to the pressure on short-term rates.

Banks, however, are caught in a vice between increases in their borrowing costs, and limited demand for lending. They have been reluctant to raise their prime rates in a stagnant loan market.

Move is further sign of trouble for country's privatisation programme

Unilever drops $60m Kazakh plant bid

By Steve LeVine in Alma Ata

The Anglo-Dutch company Unilever has withdrawn a $60m bid for two state-owned margarine factories in Kazakhstan, in a further sign of trouble for the country's privatisation programme.

The withdrawal this week comes two months after the Kazakhstan parliament began pushing to suspend the privatisation programme alleging that auctions had been fixed to benefit powerful families.

The state privatisation committee has set a December 1 deadline for Unilever to submit a new bid for the factories, located at Alma Ata and Karaganda. Ms Susan Bruno of KPMG Peat Marwick, which advises the state committee, said.

"They [Unilever] are definitely still interested. They want to keep this thing alive," Ms Bruno said in a telephone interview.

Unilever won a tender for the plants and signed a preliminary agreement in June, a deal worth $60m in cash and investment. The deal was supposed to close in August, but Unilever began having difficulty obtaining licences and guarantees from various government ministries.

Finally, the company was unable to obtain a guarantee for a steady local supply of its main staple, sunflower oil, something that had been stipulated in the preliminary agreement.

The company's new offer could be lower, since it appears it must supply its own sunflower oil from outside the republic, Ms Bruno said.

The Unilever deal is important, since it is one of three large initial privatisations meant to send a signal to foreign investors that Kazakhstan is serious about attracting outside capital.

One of the two other deals, RJR Nabisco's purchase last summer of two confectionary plants, also seemed in doubt when state officials began trying to alter parts of the contract, according to western businessmen close to the deal.

As a whole, Kazakhstan's seven-month-old privatisation programme has produced mixed results.

The programme is divided into three parts - tenders of large enterprises such as the confectionary and margarine plants; mass auctions of some 7,500 small and medium-sized enterprises; and privatisation of small concerns such as shops.

The small-scale privatisation appears to have gone well, diplomats and western business analysts say, but the sale of medium and large-scale enterprises has been slow.

Western diplomats, for example, confirmed that the sale of medium-sized concerns initially did appear to have been rigged.

Many were sold to favoured families without prior advertisement of the properties, they said.

"A lot of them were done very quickly, and ended up in the hands of the rich and famous," said one western diplomat.

NEWS: INTERNATIONAL

INTERNATIONAL NEWS DIGEST

Japan assailed over war sex

Japan has a moral and legal obligation to compensate the Asian women who were forced to provide sexual intercourse for its troops during the second world war, the International Commission of Jurists said yesterday. It urges the Japanese government to pay each former "comfort woman" an immediate $40,000 (£25,500) in compensation, pending steps to provide "full rehabilitation and restitution".

The commission's report is likely to embarrass Tokyo at a time when the Japanese government believes it is on the point of resolving an issue which has bedevilled diplomatic relations with its neighbours. At the end of August Mr Tomiichi Murayama, Japan's prime minister, announced a $1bn fund to be used over the next 10 years for exchange programmes and vocational training centres for women as a token of apology for war atrocities. But the planned fund does not represent compensation for the women involved.

The ICJ, which groups some 45 eminent jurists from around the world, is critical of the handling of the issue by Japan which, it says, appears to be aimed at placating sentiments rather than finding a solution. In thinly veiled language the ICJ accuses Tokyo of dragging its heels and covering up documentary evidence. The Japanese imperial army abducted 100,000 to 200,000 women and girls, often as young as 13, to serve a vast network of "comfort stations", it notes.

If Japan does not take action, the matter should be pursued by an international tribunal or by the United Nations, the ICJ says, adding that the allied governments also bear a responsibility for ensuring the "comfort women" receive justice. Japan argues that war reparations to individuals and their families were formally settled by the 1951 San Francisco peace treaty. Many governments, including South Korea and Malaysia, have said they would not seek additional state-to-state reparations for comfort women. The acts should have been part of the war crimes trials after the war ended but were not, because the trials focused on acts committed against nationals of the allied powers, the ICJ argues.

The ICJ monitors and promotes the rule of law and human rights worldwide. As an non-governmental organisation it has no formal sanctions it can impose. Its reports do, however, carry weight with the UN and by publishing them it hopes the international community will put pressure on governments to correct human rights abuses. *Frances Williams, Geneva and Robert Rice, London*

Glaxo bribe arrest in Japan

Japanese prosecutors arrested a doctor this week for allegedly receiving bribes from the Japanese arm of Glaxo, the UK drugs company, in arranging clinical tests for the company's blood pressure drug, Lacipil. Glaxo denied the accusations but has apologised "for causing a stir in society" and has withdrawn its application for the drug to be allowed on sale in Japan. It said yesterday that the application might proceed later.

Prosecutors arrested Mr Teruo Sugibayashi, a doctor at a national hospital in Chiba, east of Tokyo, for allegedly receiving over Y1m (£650,000) from Nippon Glaxo during 1991 and 1993. The arrest follows three others earlier this month – two Nippon Glaxo officials and a doctor in western Japan – were on bribery charges. Mr Tsutomu Suzuki, a Glaxo official, allegedly offered money to Mr Hidetoshi Fukada, an assistant doctor at Kagawa University hospital, in order to in order to obtain favourable clinical test results. Lacipil, also known by its generic name lacidipine, is already on sale in 15 countries. Nippon Glaxo needed to get local approval in order to sell the drug in Japan. It conducted various clinical tests in co-operation with Japan's Mochida Pharmaceutical, said Glaxo.*Emiko Terazono, Tokyo and Daniel Green, London*

Angola ceasefire due to start

A ceasefire ending Angola's 19-year civil war was due to go into effect at midnight last night. Representatives of the warring parties agreed in Lusaka yesterday on final details of the implementation of the ceasefire, due to come in effect 48 hours after the Angolan government and the Unita rebel movement signed a peace pact in the city on Sunday. African diplomats yesterday expressed relief that yesterday's meeting, which put the final touches to arrangements for disengagement of the two armies and the monitoring of the exercise, had ended successfully. Some had feared that had Mr Jonas Savimbi, the Unita leader, intended to hold up the settlement, yesterday's talks would have run into difficulties. The outcome also allayed concern that hardliners in the MPLA government of President Eduardo dos Santos (pictured above left) might wish to press ahead with an offensive against Unita positions. But leaders of southern African states, led by the Zimbabwe's President Robert Mugabe, had made clear to Mr dos Santos that they regarded the recent intensification of fighting as an breach of the negotiating process. African officials expressed confidence that the ceasefire would come into effect, but warned that there were likely to be breaches as a result of communications difficulties and indiscipline. *Michael Holman, Harare*

See editorial comment

Capital drive for Kyrgyzstan

The World Bank is to co-sponsor a foreign investors conference in Paris to try to get capital flowing into Kyrgyzstan, whose market reforms, western economists say, have in many ways been a model for the Commonwealth of Independent States. The bank and the Kyrgyz government have invited 343 foreign investors from 27 nations to Paris on December 7-8 The conference is meant to allow the Central Asian republic to take an additional step to reviving its economy. Already, the republic, which has been following an International Monetary Fund-directed programme, has stabilised its currency, tha som, and appears about to bring inflation below 1 per cent a month, according to western estimates.In addition, three years after the Soviet collapse, Kyrgyzstan appears set to becoma the first CIS republic to achieve economic growth. Western economists are predicting that its economy will expand by 1-2 per cent in the second half next year.

While its wealth pales in comparison to neighbouring Uzbekistan and Kazakhstan, the IMF and World Bank have put the spotlight on Kyrgyzstan because of its monetary stability and liberal investment laws. Kyrgyz government officials believe outside capital can be attracted to their agricultural sector as a start to economic revival. *Steve LeVine, Alma Ata*

Elliott case 'not strong'

The prosecution case against Mr John Elliott, tha Melbourne-based businessman and former head of the Elders IXL group, in relation to an alleged A$66.5m (£32m) sham foreign axchange transaction, was described yesterday as "not a strong one" by tha magistrate overseeing the committal hearing. Mr Graham Hicks, the magistrate, adjourned the hearing until next week, when the prosecution is due to make a final submission. He is due to rule on whether Mr Elliott, a prominent figure in Australian business circles in the 1980s and former president of the Liberal party, and other former Elders IXL executives should stand trial over tha matter early next month. They are facing charges of theft and conspiracy.

Yesterday, Mr Hicks said he was outlining his tentative view on the case. He said that there appeared to be an "abundance of avidence" to indicate that there was a sham foreign exchange deal, but that the key question was what involvement Mr Elliott and Mr Peter Scanlon, another key Elders executive, had in this. *Nikki Tait, Sydney*

Armscor finds a place in new South Africa

The close relationship has surprised most defence analysts, reports **Mark Suzman**

President Nelson Mandela, one of the world's most respected statesmen, yesterday officially opened South Africa's first international defence show, a display of armour from an industry once aimed at thwarting the political movement he leads.

The show is the first the country has held since the ending of the UN arms embargo in May. As air force aircraft and helicopters thundered overhead in honour of their Commander in Chief, Mr Johan Moolman, chairman of state-owned South African arms procurer Armscor, praised the government for its "supportive role" in helping promote the domestic industry's aim of boosting its 0.4 per cent of the global arms market, worth about R800m (£144m), to 1-2 per cent.

Mr Mandela was equally enthusiastic. Armscor, he said, had developed a strategic, home-grown technological base that would use its weapons sales to "serve peace and security" rather than "death and destruction".

The close relationship between the industry and Mr Mandela's African National Congress government has surprised most defence analysts, who had predicted the political movement would seek to dismantle or at least cut an industry that seems both incongruous and unnecessary in a post-apartheid South Africa.

But Armscor has waged a successful public relations battle to win over the new administration, in part using a national advertising blitz that portrays it as a mainstay of South African industrial technology and an important foreign-exchange earner for the South African economy.

"A bee has a sting for its protection," reads one typical ad caption, superimposed on a painting of a cuddly bee gathering pollen from a green and sunny hillside, "South Africa has one too: Armscor". Even the company's new slogan – "Creating wealth, Protecting the Nation" – is adroitly designed to highlight both the indnstry's financial solvency and its strategic role.

Mr Moolman claimed the industry, South Africa's largest manufacturing exporter, contributed R3bn a year to the economy and employed 70,000 people.

Mr Joe Modise, defence minister, has long been a supporter of domestic arms manufacturers, but the government has until recently remained uncertain about backing them wholeheartedly. Mr Joe Slovo, housing minister, has reportedly urging they be scaled down. Now with Mr Mandela's official backing, Mr Modise appears to have won the day.

Helping persuade the president is the fact that the industry has some genuinely competitive products to sell. Armscor was only formally created in 1977, just six months before the UN imposed its embargo, but has developed the successful G-5 and G-6 artillery pieces, generally regarded as among the world's best, as well as a range of sophisticated smaller arms and armoured vehicles.

Responding to the changing political climate, in 1992 it was divided into two companies, with the rump Armscor becoming primarily a procurement agency and its manufacturing arm spun off as Denel.

A Danel subsidiary, Atlas Aviation, has recently garnered much international interest with its Rooivalk attack helicopter.

In line with South Africa's new international image as a model global citizen, the new Armscor has published a set of athical principles under which its arms trade will be conducted. At the same tima it has undertaken to make the trade more transparent by drawing up a list of all approved countries to which the South African industry will be permitted to sell.

But even with official government support, it is not yet plain sailing.

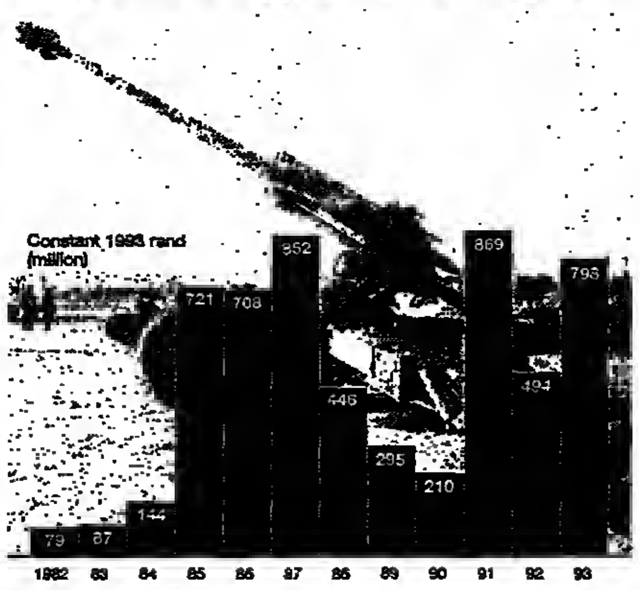
Already implicated in having sold arms to Iraq, Rwanda and the rebel Unita movement in Angola, Armscor is the subject of a judicial commission of inquiry following claims in September that it had sold 15,000 AK-47 rifles to a Lebanese arms dealer allegedly trans-shipping them to Yemen, a proscribed country because of its civil war.

At the same time, officials in the defence and foreign ministries are unwilling to testify to the commission in open court about Armscor's past military relationships for fear disclosures about its secret dealings during the apartheid era will alianate many of South Africa's new allies.

More important, because of an indictment served on Armscor and sevaral other South African defence companies in 1991 by a Philadelphia grand jury on charges of illegal purchase of American defence technology during the 1980s, Denel is legally barred from doing any business with the US government or any American defence companies.

This is a constraint proving costly in the European market where equipment compatibility with American norms is frequently a requirement in new weapons acquisition. But while the industry may not become the guarantor of peace Mr Mandela hopes, optimism is widespread that the exposition will boost the industry's international profile, and ethical controversies notwithstanding, Armscor's financial goals at least may prove achievable.

Arms exports: biggest manufacturing sale



Source: South African government

Attack on business tax breaks

US labour secretary queries an estimated $111bn of subsidies

By Jurek Martin in Washington

Mr Robert Reich, the secretary of labour, yesterday called oo the new conservative political majority in Congress to attack tax breaks for business and end "corporate welfare as we know it".

Mr Reich suggested the savings from cutting direct assistance to companies could be used to help the economy create more high-wage American jobs.

In a speech on economic and social policy which he stressed represented his personal perspective, Mr Reich ascribed Democratic losses in the mid-term elections to "the revolt of the anxious middle class". Other factors might have been in play, but "never underestimate the political potency of a declining paycheck."

"Better fiscal management," he said, "cannot reverse the long-term decline of America's middle class," a comment which could be viewed as a criticism of the Clinton administration's emphasis to date on reducing the federal hudget deficit.

But Mr Reich was more the loyalist in his dissection of the current Republican agenda of deep tax cuts and the evisceratioo of the social safety nets. Noting that the deficits accumulated under the two previous Republican presidents now ate up 28 cents of every tax dollar, he urged: "Let's oot whip up another toxic economic potion – a pinch of Laffer, a dash of Darman, the eye of a Newt – that all of us will pay for in the morning."

Mr Reich argued that the administration's policies had moved in the right direction in the last 22 months but still only constituted "a bare beginning." Instead of incrementalism, "let's accelerate the agenda of reform; streamlioe and consolidate the current clutter of adult education and joh retraining programmes and pull the plug on those that don't work."

Warming to ooe of his familiar themes, but incorporating some Republican adages, Mr Reich said "instead of feeding bureaucracies – federal and state – let's channel resources directly into the pockets of ordinary Americans."

The Progressive Policy Institute, a moderate Democratic think-tank, had recently identified special tax breaks for particular industries and agriculture currently worth in excess of $111bn over a five-year period. He invited conservative institutions to provide "their own examples of business subsidies that don't make sense."

"Since we are committed to moving the disadvantaged from welfare to work, wby not target corporate welfare as well and use the savings to help all Americans get better work?"

Meanwhile more details of Republican proposals sharply to reduce individual welfare entitlements continue to leak out. One version, likely to be introduced in the House in January, would end automatic eligibility for welfare, set an annual limit on all federal welfare spending and would replace longstanding food stamps, child-outritioo and school lunch programmes with block grants for states to administer as they wished.


Reich: more training and extra cash in people's pockets

Helms renews venomous outburst against Clinton

By Jurek Martin in Washington

Senator Jesse Helms of North Carolina, refusing to back down or be muzzled, has again stated, this time in even more incendiary terms, that President Bill Clinton is unpopular with the US military.

He told a local newspaper in Raleigh that "Mr Clintoo better watch out if he comes down here [to military bases in the state]. He'd better have a bodyguard."

This prompted the Secret Service, which protects the president and which investigates all threats against him, to announce yesterday it had asked for a transcript of the interview. It would not say if it was planned to grill the senator.

Last weekend, the likely next chairman of the Senate foreign relations committee created something of a stir by asserting that the president was unfit to be commander-in-chief. He said Mr Clinton was unpopular amoog servicemen because he had avoided the draft in Vietnam, ended military discrimination against homosexuals and had cut defence spending.

The senator's latest outbursts have been coodemned by the White House and the military high command and even been dismissed by the Republican hierarchy in Washington as unnecessarily offensive.

But Mr Helms is about to acquire more clout, through bis committee chairmanship, than be has previously enjoyed. One indication of that was provided in the last 24 hours in talks between Mr Clinton and Mr Yitzhak Rabin, the Israeli prime minister.

Mr Helms had described the Israeli-Syrian peace process as "a fraud" and threatened to block the stationing of any US monitoring troops on the Golan Heights. This prompted Mr Clinton, in Mr Rabin's presence, to issue a direct rebuttal.

Menem wins backing for UN force

By David Pilling in Buenos Aires

Argentina's proposal to establish a United Nations force to be deployed during natural disasters will be debated in the General Assembly today and should be "unanimously approved," according to Mr James Cheek, US ambassador in Buenos Aires.

Mr Cheek, speaking after talks between Mr William Perry, US defence secretary, and Mr Oscar Camilión, his Argentine counterpart, said the resolution, strongly supported by the US, already enjoyed the backing of 50 national co-sponsors.

Argentina's proposal would direct the General Assembly to study the establishment of a force, to be recognised by its "white helmets," and dedicated to alleviating the effects of natural disasters such as famine and floods and to come forward with concrete proposals in the next few months.

Mr Perry, on a visit to Brazil and Argentina, said he had discussed the resolution with President Carlos Menam, including a proposal to establish a centre in Argentina to train the force.

Acceptance of the initiative would be a public-relations coup for Mr Menem whose administration has done much to re-establish its international credentials and has allied itself more closely with US foreign policy than almost any other Latin American state.

Argentina is virtually alone, for example, in supporting the US embargo against Cuba. It also backed the invasion of Haiti and, said Mr Camilión, was willing to send a battalion of 300 peacekeepers to the island in the next few months.

Mr Perry praised Argentina for its new approach, which contrasts strongly with its history of non-alignment, especially for its deployment of troops in UN peacekeeping missions in such regions as Cyprus, Mozambique and Croatia.

Argentina's immediate reward will be the signing next month of a contract with Lockheed to run the state-owned Aerea Material Córdoba aircraft factory where 18 of the 36 A-4M Skyhawks purchased by Argentina from the US earlier this year will be upgraded.

Argentina is expected to pay $250m-$400m for the aircraft, including the cost of renovation. Mr Camilión said he hoped that the input of US expertise could transform the Córdoba plant into a regional repair centre for civil and military aircraft.

Samper renews drive for peace in Colombia

President tries to end guerrilla war, reports **Sarita Kendall**

President Ernesto Samper of Colombia marked his first 100 days in office last week with a push to get the country's guerrilla groups to the negotiating table and by announcing a set of conservative economic targets that placated some of his critics.

The administration has dropped the insistence of previous governments that a ceasefire must be in place before starting negotiations with the guerrilla groups. Instead, it is demanding what it calls a "humanisation" of the war in order to protect civilians and wounded combatants.

Since 1989, most of the M-19 and the Popular Liberation Army movements have exchanged their weapons for electoral politics, but the two biggest guerrilla armies have been growing in numbers and military strength. The former Soviet-line Revolutionary Armed Forces of Colombia (FARC) and the once Castroite National Liberation Army (ELN) between them control extensive rural territory in the northeast, northwest, centre and south of Colombia. The FARC alone has over 50 fronts and guerrilla combatants may total 10,000 or more.

According to police figures, there were more than 1,200 terrorist incidents and over 1,000 kidnaps in the first 10 months of this year, most attributed to guerrilla groups, which use extortion, robbery and drug trafficking to finance their activities. Guerrilla actions during the last decade have led to the spilling of 1.2m barrels of oil as a result of pipeline bombings, the loss of considerable foreign investment and the displacement of 150,000 people from violence-ridden areas.

By opening the door for peace negotiations and imposing neither deadlines nor obstacles, the government has made it difficult for the guerrillas to refuse to talk. Political, business and church leaders have all given qualified approval to Mr Samper's proposals, and guerrillas have also commented in positive terms.

Given their iocreasing regional power – evidenced in last month's local government elections – and their economic strength, it is not obvious why the main guerrilla movements should want peace.

Mr Samper also promised an amhitious human rights programme with watchdog offices in military installations, as well as the dismantling of paramilitary groups, ofteo linked with police or army.

During his first 100 days, Mr Samper announced a series of employment and social programmes, which he tied together last week in a four-year national development plan he called the "social leap forward." In the plan, the government hlames the persistence of "alarming poverty levels" and the growing income gap between rural and urban areas on continuing violence. It aims to raise income per capita by 3.5 per cent a year.

Central bank and other economists, dismayed by the administration's somewhat incoherent initial proposals to reduce inflation, speed up devaluation and substantially increase public spending all at the same time, have welcomed Mr Samper's commitment to generating a budget surplus of at least 0.7 per cent of GDP, or more if necessary. The inflation target for 1995 is 18 per cent, compared with this year's 22-23 per cent rate.

"This is down to earth, they're recognising that they need to cut back on planned spending and they're also going to improve tax collection. It's a big step in the right direction for macroeconomic stability," said Mr Salomon Kalmanovitz, a director of Colombia's central bank. "And yes, we will be able to keep devaluing the peso if the government maintains a budget surplus." This year so far there has been a slight revaluation in real terms.

Bombings of oil pipelines have slowed foreign investment

Colombia has been suffering a surfeit of dollar inflows, and, has foreign reserves to cover about nine months' of imports. The development plan includes large investments in transport, oil and other infrastructure with a strong import component, which will help use up foreign exchange.

The emphasis, however, is on social welfare, notably direct subsidies for the most needy sectors of the population. This is not only inflationary, say economic critics but the money would be better spent on remedying the structural problems underlying poverty, rather than on handouts.

On drug trafficking, there have been minimal successes and discouraging trends: the area planted with coca, marijuana and opium poppies has doubled to over 50,000 hectares and Colombia's cocaine production is up to about 1,000 tonnes a year.

Several major Medellín traffickers who surrendered under the last government are due to go free next year, while Cali cocaine chiefs want even more generous terms if they are to hand themselves in. Although President Samper has promised to keep fighting drugs, most Colombians clearly place far greater importance to ending violence and to solving economic problems than confronting drug barons.

هكذا من الأجل

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American Soybean Association

MSD

Raychem

NEWS: UK

Prime minister condemns 'unjustifiable' salary increase as pressure grows in row over executive pay

Tensions on EU spark challenge to top Tory

By Kevin Brown, David Owen and James Blitz

Mr John Major, the British prime minister, yesterday condemned "unjustifiable" salary increases for executives of privatised companies as Mr Cedric Brown, chief executive of British Gas, said he was considering whether to forego part of a 75 per cent pay rise.

The government's difficulties worsened as Tory tensions over Europe emerged into the open with an unexpected backbench challenge to Sir Marcus Fox, a key supporter of the prime minister, for the leadership of the powerful 1922 committee of backbench MPs.

The challenge, from the little known chairman of the cross-party Commons defence committee, was widely seen by MPs as an attempt to punish Sir Marcus for his unswerving support for the prime minister.

In robust Commons exchanges, Mr Major said that excessive executive pay rises should be curbed by shareholders, but ruled out government interference, either directly or through the statutory regulators supervising privatised industries.

Mr Brown's pay rise was condemned as grotesque by Mr Tony Blair, the Labour leader. Mr Paddy Ashdown, leader of the Liberal Democrats, said it was "a metaphorical V-sign" to gas consumers.

Mr Blair wrote to Mr Major urging the government to withdraw tax privileges for executive share options and give regulators power to limit price increases in industries subject to excessive pay rises.

Mr Brown said he understood the widespread reaction to the company's announcement that his salary is to rise from £270,000 a year to £475,000. "I will consider my options and discuss it with my colleagues and executive directors in the light of all that has been said," he told Sky News.

Tory backbenchers said the battle for the leadership of the 1922 committee could become a proxy contest between Sir Marcus and right-wing backbenchers seeking to destabilise Mr Major's leadership.

One backbencher blamed Euro-sceptics for the challenge, saying: "I think it's those people with very long memories and very long agendas who effectively want us to pull out of Europe despite the consequences to the government and the country."

The feeling among Tory MPs was one of a widespread desire to rebuke Sir Marcus for his clear warning on behalf of the prime minister that the defeat of legislation providing for higher UK payments to the European Union would prompt a general election. In a further indication of the strength of feeling, around 25 members of the Eurosceptic Fresh Start group last night discussed the possibility of mass abstention on the bill, threatening the government's majority of 14.

Sir Nicholas Cosmo Bonsor has challenged Sir Marcus Fox for the chairmanship of the influential 1922 committee of backbench Tory MPs – in effect the job of commander-in-chief of the Tory footsoldiers at Westminster. Although much of his support may come from MPs dissatisfied with Mr Major's leadership, Sir Nicholas is far from an obvious standard-bearer for backbench dissidents. A former captain of boats at Eton, Sir Nicholas, 51, is married to the daughter of the second Lord Killearn and is a descendant of Horatio Nelson, the victor at the Battle of Trafalgar.

He is also a former member of the council of the Lloyd's of London insurance market. This year's register of MPs' interests lists more than 70 syndicates of which he is a member.

As chairman of the House of Commons defence committee, he has waged a vocal campaign against cuts in the armed forces. He is sufficiently Eurosceptic to have contributed to the government's first defeat on the bill implementing the Maastricht treaty.

Aerospace group steps up supply fight with Lockheed

An offer by British Aerospace to maintain the Royal Air Force's existing fleet of 60 Hercules transport aircraft at a fixed price, with a set number of aircraft available at any one time, is to be discussed by a cabinet committee tomorrow, our Defence Correspondent writes.

The proposal, sent to Mr Roger Freeman, the UK defence procurement minister, will be discussed along with recommendations by a Ministry of Defence procurement committee to buy a number of Lockheed C-130J aircraft as an alternative to refurbishment.

BAe has offered to maintain a fleet of 50 Hercules aircraft, 70 per cent of which would be available at any time, at a fixed cost 20 per cent lower than the RAF's current maintainance costs. BAe has made the offer because it wants the UK government to buy the European Future Large Aircraft, for which BAe will build the wings. However, the FLA will not become available until 2002, while the RAF argues that its Hercules fleet will need replacement from 1996.

The Treasury is thought to be interested in BAe's proposals, which would not require the defence ministry to buy new aircraft or refurbish the existing Hercules fleet. Both departments will be represented at the committee meeting on Thursday, as will the Department of Trade and Industry and the Scottish Office.

The company is also undertaking to complete at no cost to the RAF any refurbishment work which is needed. BAe puts the cost of maintaining the Hercules fleet at £52m ($85.3m) a year.

In a separate note BAe has also suggested that the government sells its Hercules fleet to BAe and leases it back to further improve the department's finances.

The defence ministry confirmed that it had received an approach from BAe, but would not say how quickly a decision would be made. The ministry has said it intends to decide about the future of the Hercules fleet before Christmas.

UK NEWS DIGEST

Oil exploration spreads across 'new horizons'

The government yesterday put development of oil and gas fields in the deep Atlantic waters west of the Shetland islands on the "fast track". More than 60 of the 164 blocks being offered for oil and gas exploration under the 16th offshore licensing round are in this region to the north of Scotland. Mr Charles Wardle, junior energy minister, said he hoped the "fast track" process would see further development west of Shetland starting as early as next summer.

He also called for nominations from oil companies for the 17th licensing round which would "stretch out to new horizons to the west of the UK". Preliminary drilling results suggest that the west of Shetland region has the potential to produce up to a third of Britain's present North Sea output of 2.5m barrels a day. Earlier this month the government gave approval for Foinaven, the first oilfield in the region. British Petroleum and Shell will spend £550m on developing the field.

The field is in 450 metres of water and in a region, known as the Atlantic Frontier, where weather can be harsher than in the North Sea and sub-surface currents more complex. Analysts suggested yesterday that the key to opening up the region would be an infrastructure shared by companies operating there. "It is an expensive area in which to operate and sharing would cut costs," one explained. "Obviously the government is keen to encourage more exploration so that we can know in some detail what the real potential is west of Shetland."

Coal bidder looks to price cut

RJB Mining, the coal company chosen by the government as preferred bidder for British Coal's English regions, is seeking to shave at least £35m off its £914m bid after finding that coal stocks have fallen short of its expectations. It is telling institutional investors that there are 1.3m tonnes of coal less in British Coal's English stockpiles than when it made its bid, and this should enable it to negotiate a £35m reduction in the final purchase price.

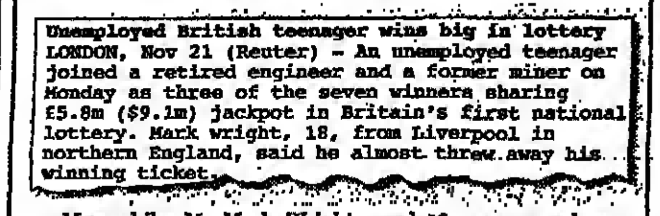
The coal stock change provides a fillip for the company's efforts to raise up to £1.05bn through borrowing and selling shares. RJB was given further cheer when Mr John Jermine, executive chairman of NSM, another coal company which bid for British Coal assets, expressed support for the bid.

Other failed bidders have attacked RJB's assumptions on future markets as unrealistic but Mr Jermine, whose company bid unsuccessfully for the south Wales region, said he thought RJB's plans could work out. "I hope they do," he said.

Details, Page 29

Confusion over lottery winners

A 25-year-old London chauffeur has been charged with trying to obtain one of the seven jackpot prizes in the National Lottery by deception. The first lottery draw was held on Saturday and yielded prizes ranging from £10 to the seven jackpot prizes of £839,254 ($1.3m). Mr James Madel is accused of trying to obtain money at the London office of Camelot, the consortium that organises the lottery.



Unemployed British teenager wins big in lottery
LONDON, Nov 21 (Reuter) - An unemployed teenager joined a retired engineer and a former miner on Monday as three of the seven winners sharing £5.8m ($9.1m) jackpot in Britain's first national lottery. Mark wright, 18, from Liverpool in northern England, said he almost threw away his winning ticket.

Meanwhile, Mr Mark Wright, aged 18, was named as a jackpot winner by newspapers, radio stations and international news agencies after announcing detailed plans for spending the prize and after trying to sell his life story to a newspaper. He later admitted being a hoaxer. One of the seven genuine jackpot winners has so far failed to claim the prize. Three have told Camelot they want no publicity while another told reporters he intended to spend the money on a new Skoda car and a visit to his brother in New Zealand.

Church urges aid for homeless

BUDGET 1994

Dr George Carey, archbishop of Canterbury, called on the government to use next week's national Budget setting out fiscal legislation for 1995-96 to combat the "great evil" of homelessness. Dr Carey, head of the Protestant Church of England, said there was a need for more low-cost rented housing "to meet the desperate needs of the most vulnerable in our society". He added: "I hope this priority will be reflected in the forthcoming Budget and in wider housing policies."

Building society seeks reform

Nationwide Building Society, one of the UK's largest savings-and-loans bodies, called yesterday for a single qualifying period before society members become eligible for the rights and benefits of membership. Giving evidence to a House of Commons Treasury committee inquiry into financial regulation, Mr Brian Davis, Nationwide chief executive, said there was a case for a single statutory test of membership – having been an investor or a borrower for a set period of time such as two years – which would apply for voting and ownership.

While such a change would reduce the number of members eligible to vote at a time when there is increased emphasis on societies' accountability, it would remove anomalies from the current arrangements. For example, in the case of the Lloyds Bank bid for Cheltenham & Gloucester Building Society, only C&G investing members of more than two years' standing can receive a cash share of the price, though a larger number of members – including borrowers – can vote on whether to accept the offer.

Nationwide's written submission to the committee called for a single regulatory framework for financial services with just one watchdog covering areas now handled by a range of bodies including the Building Societies Commission and the Securities and Investments Board, the chief City regulator. MPs on the committee were clearly concerned that the public image of societies as traditional and safe lagged behind the way societies saw themselves as in direct competition with other financial services organisations.

Profits at Wimbledon up 70%

An increase in revenue from international television contracts helped the world-famous Wimbledon tennis tournament show a record profit this year of £28m ($43.6m), a 70 per cent increase on the previous year. Organisers would not provide a detailed breakdown of profit sources, but said many more countries than last year's total of 104 had paid to televise the grand slam tournament.

Increased international sales of official Wimbledon merchandise also contributed to the tournament's profits, a spokesman said. Profit from last year's championships totalled £16.4m and went to the Lawn Tennis Association – the body that administers tennis in the UK. The LTA uses the money it raises from the tournament to develop the sport.

Correction: truancy in schools

A table showing the 20 schools with the highest truancy rates in England published in the Financial Times yesterday was incorrect. Instead of truancy rates, it showed the schools with the highest rates of authorised absence, where children missing lessons had been given leave to do so. In all cases, the schools' rates of unauthorised absence were much lower. The mistake was due to an error by the FT, and was not caused by the information provided by the Department for Education.

Telecoms operators challenged over 'superhighway'

By Alan Cane and Raymond Snoddy

The UK government has challenged British Telecommunications and the growing number of public telecommunications operators to play a full part in the development of the country's information superhighway.

In a paper published yesterday, entitled *Creating the Superhighways of the Future: Developing Broadband Communications in the UK*, the government urged the operators to gain experience in interactive technologies by applying for local franchises which would enable them to deliver a full range of services including broadcast entertainment to homes within the franchise area.

The paper confirmed, however, that the government has no intention of permitting BT to broadcast entertainment to homes nationally before 2001 at the earliest.

The issue is a point of intense contention for BT which has been banned from offering broadcast entertainment services over its network to allow the cable television industry to establish itself in the UK. Cable television companies are, however, not debarred from offering telecommunications services.

Mr Richard Woollam, director of trade body the Cable Communications Association, said yesterday: "All the Government is saying to BT is 'Come and join the cable party.'"

The Independent Television Commission, regulatory body for commercial television, has advertised a total of nine new local delivery licences – as cable franchises are called – the latest in the past few days. They are for four separate franchises in the English Midlands covering 248,000 homes.

The commission emphasised yesterday that BT had always been able to apply for cable television franchises like any other company and since April BT has been able to do it in its own name rather than through a subsidiary.

BT said yesterday the government decision meant "the great leap in broadband communication we were hoping to provide has been postponed for several years".

It is clear that BT does not intend to apply for large cable franchises, such as that currently on offer which covers all of Northern Ireland.

Instead it wants the freedom to spend £15bn to create its own modern network to compete against the cable companies.

The government's paper is in part a response to the report of a parliamentary committee which urged that BT should be freed from the present restrictions.

Mr Ian Taylor, trade and technology minister, said he had appointed a group of senior industrialists to advise him, including Mr Don Cruickshank, director-general of Oftel, the industry watchdog, and Mr Peter Job, chief executive of Reuters. Oftel said it was pleased there was no intention to change the existing supervisory regime.

Demand for TeleWest, Page 23

MPs demand reform of animal quarantine laws

By Alison Maitland

The House of Commons agriculture committee will today recommend a wholesale change in the British government's policy on quarantine for pets, saying it should be replaced immediately with a cheaper system of vaccinations and blood-testing.

The proposed change, under which pets would require health "passports", would apply to dogs and cats entering Britain from European Union member states and countries that are free of rabies. The present system, under which pets must be left in approved premises at the owner's expense for six months, would continue for pets arriving from other destinations.

The committee says scientific advances show that the alternative system would offer protection at least equivalent to quarantine. "The introduction of a suitable system of controls through vaccination is emphatically not a relaxation of Britain's defences against rabies," it says.

"We consider that a system such as we propose would effectively decrease the likelihood [of rabies entering the UK], not least because the costs of the new procedure, a small fraction of the expense of quarantine, would no longer provide an incentive for many to smuggle their animals into this country."

But the British Veterinary Association yesterday opposed the immediate ending of quarantine, saying the EU should first be free of rabies.

MPs point out that the incidence of animal rabies in the EU has fallen sharply from 8,506 cases in 1989 to 1,207 last year, and that the European Commission believes it will be eradicated within two or three years. They argue that the European virus, transmitted by foxes, poses far less of a threat to humans than the virus in the developing world, where rabies is commonly carried by dogs.

Under their proposed changes, modelled on measures adopted by Sweden in May, dogs and cats due to be imported into the UK from approved countries would be identified by a unique number carried in an implanted microchip or tattoo.

The animals would have to be vaccinated at the age of three months or above, undergo a blood-test four months later to establish they are immune, and spend at least six months in the approved country before entering Britain.

Observer, Page 21

A cat held in quarantine near London under anti-rabies laws

Import data win new lease of life

Data showing the level of import penetration in different sectors of the UK economy are to be published today for the first time for more than seven years, Gillian Tett writes.

Publication of the figures comes as the UK Central Statistical Office embarks on radical changes in the way economic statistics are presented to businesses.

The CSO and Taylor Nelson AG, the market research group, will launch the new business series in London today. The data will include a range of new import, export and manufacturing figures in almost 5,000 categories ranging from steel to sawdust and truffles.

Although information on most industrial sectors will be published on an annual basis, figures will be provided on a quarterly basis for industries which have been requesting this, such as the chemicals sector and pump-making industry.

The Department of Trade and Industry used to publish data showing approximate levels of import penetration. This was stopped in 1987. Many observers suspect this decision reflected official unease with the growth in the trade deficit.

Government officials insist in public, however, that the decision was made to save resources and cut down on red tape.

The new publication was yesterday welcomed by industry groups.

The EU directive known as Prodcom requires all member states to collect data on a harmonised basis, which can be easily compared to official trade statistics. Although Britain expressed reluctance over the directive, it has become the first EU country to publish the data.

Shirayama abandons London hotel plan

By Simon London and Michael Skapinker

The tortuous history of County Hall, the prominent building that faces Big Ben by the Thames in London, took another twist yesterday as plans to turn part of the site into a hotel were scrapped. County Hall was headquarters of the Greater London Council, the largest municipal authority in Europe, until the Thatcher government abolished it in 1986.

Shirayama, the Japanese developer which paid £60m ($98.4m) for County Hall last year, now plans to build 380,000 sq ft of offices and exhibition space.

Mr Mac Toyota, Shirayama's representative in London, said: "We had a better idea. We are not saying that the hotel business is not profitable." Luxury hotels in London have recovered from the recession and are enjoying occupancies well above 90 per cent.

Plans for the rest of the 1.5m sq ft site – including conference facilities and Europe's largest aquarium – remain unchanged.

The hotel was expected to cost £25m out of a total construction budget of over £100m. Shirayama has spent £10m on the site so far although work on the planned hotel had not started.

Mr Richard Branson's Virgin Group, which had agreed to run the 600-bedroom hotel and help operate the leisure centre, reacted angrily to Shirayama's announcement.

Virgin, which hopes to meet Shirayama officials today, said: "We came into the deal on the basis that together we were going to create one of the best hotels in London and the country's most exciting leisure complex. We still believe in that project and are very keen to go ahead. We have a legally binding contract which we expect them to honour."

Cambridge Seven Associates, the US architects, have been appointed to design the new scheme.

State-owned company pursues more commercial freedom

Scottish Nuclear, the state-owned company which generates nearly half of Scotland's electricity, said yesterday it would be seek greater commercial freedom regardless of whether ministers accepted its request for privatisation, Michael Smith writes.

Mr Robin Jeffrey, chief executive, was optimistic about privatisation. But he added that, even without it, the company would press for freedom – for example to diversify into non-nuclear industries. "I hope our plans for the future will convince the government that they can unshackle us and give us the freedom to develop and diversify." The company also said it would have to write off about £20m of development costs if it was refused permission to open "dry store" facilities which it wants as an alternative to sending spent fuel, at greater expense, to BNFL, the state-owned reprocessing company.

Mr Jeffrey issued the warning as he revealed details of the company's improved performance in the first half of the year. While declining to disclose the company's profitability, Mr Jeffrey said output had risen by 16 per cent in the first half of last year to 7.7 terawatt (million million watt) hours. Provided the company received the government's permission to open dry stores at its two power stations, it was on course to meet its target of cutting costs from 3.2p per kilowatt hour three years ago to 2.5p this year. It has set a new target of 2p to be achieved by 1998.

Mr Jeffrey said this could be achieved by increasing output from about 16.8 terawatt hours this year to 19TWh by 1998 through improving efficiency and by reducing the regularity of inspections, in which plants have to be closed, from every two years to every three.

The company said staff numbers were below 1,900 against 2,200 two years ago.

The government plans to privatise Railtrack, owner of Britain's railway track, signalling and stations, with a stockmarket flotation early in 1996 according to leaked ministerial memos obtained by Labour. The plan is expected to be announced tomorrow by Mr Brian Mawhinney, transport secretary.

According to one City estimate, privatisation of Railtrack would raise between £3.3bn ($5.4bn) and £4.3bn, making it one of the biggest privatisation issues. The flotation is a crucial part of government plans to privatise the entire national rail network. Mr Mawhinney suggests in a letter to Mr John Major, the prime minister, that he should announce flotation of Railtrack "within the life of this parliament". Mr Michael Meacher, Labour transport spokesman, said: "Railtrack's privatisation will produce the money for the tax-cut bribes in time for the next general election."

BUSINESS AND THE ENVIRONMENT

Tom Burns on a plant in Spain trying to show that chemicals and conservation are compatible

Du Pont's ecological agenda

William Walker calls it "an inspiring thing". Fructuoso Pontijo Concha is less impressed. The issue is an environmental programme that has heen launched by Du Pont, the US chemical giant, at its new $1bn (£600m) site near Avilès in the province of Asturias, on Spain's northern Cantabrian coast.

Walker, a veteran of 10 Du Pont plants in four countries, *is the site manager. Pontijo*, who campaigned against Du Pont's arrival in Asturias, is a director of a local environmentalist group called the Coordinadora Ecologista de Asturias.

Asturias, which combines magnificent mountain areas with ecological disaster zones created by coal mining and heavy industry, is understandably sensitive about protecting its environment.

The debate centres on Walker's attempt to demonstrate that the chemical industry is compatible with conservation and, in particular, on a 50,000sq m lake and surrounding wetland, called La Futra, that had silted up and which Du Pont has reclaimed in the lush valley of its Asturian greenfield site.

La Futra lies at one end of the valley and at the other, screened from the wetland by buffer hillocks that have been raised by Du Pont, lies a plant which last year began producing Nomex, a heat-resistant, meta-aramid fibre.

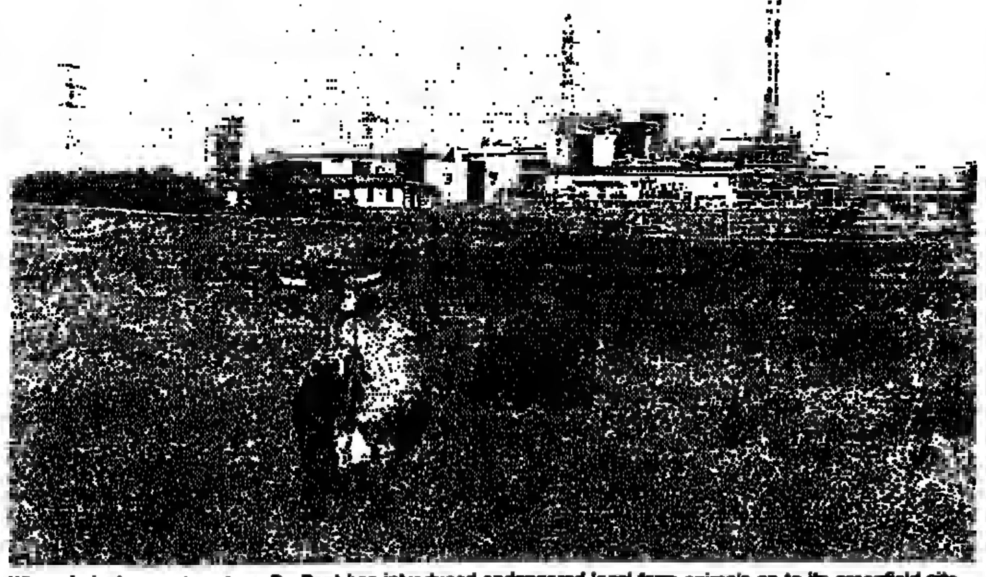
The contrast between the timeless tranquillity of the nature reserve and the futuristic energy of the site's industrial zone is striking.

The Nomex plant will be *working at full capacity* in three years, and a second industrial unit is being built close by and is expected to come on line in 1996. It will make tetrahydrofuran (THF), a compound that forms the basis for "Terathene" polyether gycol which is used in the garments industry.

The Asturias Nomex unit is based on Du Pont's production centre in Richmond, Virginia, where the heat-resistant fibre was first produced in 1965. However, the company says it has improved the process at the Asturias unit incorporating 20 per cent of new technology.

One feature of the new technology is the adoption of a biological waste water treatment (called a sequential batch reactor) that the company says provides more efficient separation and treatment and reduces the risk of groundwater contamination.

Walker says some of tbe improvements in Asturias are being implemented in the Richmond plant and others are being considered. State-of-the-art scrubbers and analysers installed at the Asturias unit have reduced the emissions of dimethylacetamide, a solvent used in the Nomex process, and the use of chloroform and carbon tetrachloride, two carcinogens, has been eliminated.



Where industry meets nature: Du Pont has introduced endangered local farm animals on to its greenfield site

The future THF unit, alongside the Nomex plant at tbe Asturias greenfield site, will be tbe first of Du Pont's nine THF-producing centres to incorporate new butane-based systems tbat tbe company claims will deliver close to "zero" emissions.

The design of the THF unit, says Walker, is based on a new energy-saving system whicb provides "the most environmentally-friendly technology in the marketplace".

The company has also hired environmental experts from the University of Oviedo in Asturias to advise on the wetland reclamation, and an ornithologist, Enrique Pasqual, as a resident ecological adviser.

Opinions on what has been achieved so far differ. Du Pont distributes an inventory of birds observed by Pasqual at La Futra. Pontijo describes the list as nothing extraordinary.

Walker insists the area now boasts more biological diversity than it did when Du Pont started setting up the site three years ago.

He says emissions are well below legislative requirements and that "water leaving the plant is cleaner than when it entered".

Along with the wetland bird sanctuary, Walker's environmental programme has involved restoring rustic buildings along the valley, populating its meadows with endangered local strains of farm animals, cows, sheep and a hreed of ponies called Asturcones. It has also replaced invasive eucalyptus forests that were ruining the soil on the valley's slopes with native trees and shrubs. Schoolchildren have built hird boxes with their names on them as part of the project. The Du Pont industrial complex at Asturias' Valle de Tamòn is an intriguing mix. With an area of 324ha, half of which is zoned for industrial use (only 20 per cent of which is occupied), there is room to spare for the chemical producer to erect altars to both fibre engineering and to hard-sell conservation.

At one level the site represents a bet by Du Pont on the demand for Nomex and THF, the products which are leading Du Pont's progress in the world of synthetic fibres.

Nomex is used in the manufacture of flame protective garments, such as those worn by Grand Prix racing car drivers, and of electrical insulators and filters for hot industrial gases; Terathene, produced hy THF, is the principal ingredient that provides elasticity to the fibres used in Lycra clothes.

Two more units are due to be added to the complex under the terms of Du Pont's 1990 commitment with the Spanish government to invest $1bn in the site over 12 years and to create 1,000 jobs. In return, the Spanish anthorities gave the greenfield site free to the US group, and provided subsidies for training, low-cost loans and tax incentives.

Walker says that some 75 per cent of the promised investment has been spent, although only 350 jobs have so far been created. "We are going to have to spend more in order to meet our employment undertaking," he says.

At another level, the industrial complex in the valley illustrates how far the US chemical producer is prepared to go to present itself as a conservationist and an ecologically-friendly institution.

Walker says the site's environmental *promotion* is a unique venture of its kind for the company and that it will provide valuable lessons for whatever Du Pont does in the future.

"Despite all the contributions of the chemical industry, I have watched the industry's image deteriorate in inverse proportion to its technical progress and material contribution to modern life," Ed Woolard, chairman and chief executive of Du Pont, said recently.

Environmentalists respond that if Du Pont is now taking lessons on board, it is because they were around to teach the company.

Alternative waste treatment

Brazil is enthusiastic about plasma-based disposal, writes **Patrick McCurry**

A pilot project to dispose of hazardous waste is planning to start at a hospital in the densely-populated city of São Paolo, Brazil, using technology developed by Nasa scientists.

Brazilian researchers will use plasma – super-heated gases – at the University of São Paulo hospital to provide cheaper and safer disposal to traditional incinerators or landfills.

Hospitals in São Paulo, South America's largest city with a population of 15m, produce 115 tonnes of waste a day which contains hlood, syringes and body parts.

Because of the risk of disease this waste must be incinerated, an expensive process as its humidity content is 40-60 per cent. There are additional health risks from normal gas- or oil-fired incineration, in particular the release of carcinogenic dioxins and toxic ashes.

Roberto Szente, head of plasma research at the São Paulo state-funded Technology Research Institute (IPT), says: "Because gas is a relatively poor conductor the plasma can heat up to 10,000°C."

The technology was developed by Nasa, the US space agency, to simulate the heating experienced by rockets re-entering the atmosphere. Plasma forms at extremely high temperatures, when atoms of gas split into a mixture of positive ions and electrons. It can be made by transferring energy from an electric arc to a gas such as air or nitrogen.

It is only with the growth in environmental awareness that the IPT, along with other research centres around the world, started applying it to hazardous waste.

"With plasma, the temperature is so high that everything, including metals, melts and becomes a liquid pool," says Szente.

This pool solidifies as a slab of residues, basically a hlock of glass and iron, that can be used in construction or disposed of in landfill. Because the result is a molten state which later solidifies, there is less risk of dioxins being dispersed than with ashes.

Erasmo Tolosa, hospital superintendent, says the city council contracts out collection and treatment of waste. "We don't have a great deal of confidence in the current system and we know that in some parts of Brazil the waste is just dumped," he says, referring to news reports of human limbs being found on rubbish dumps in the poor north-east of Brazil.

The IPT is applying plasma technology to another pilot project to deal with the galvanised waste produced by companies in the metal-coating industry, a spin-off from São Paulo's booming car industry.

Companies used to discharge the liquid residues from galvanisation straight into the Tiete River, one of the most polluted in the world. But with the introduction of pollution controls to clean the river, the companies are left with a mud – the by-product of galvanisation – containing heavy metals such as iron, silica, calcium and zinc, as well as cyanide.

IPT tests showed that when plasma was applied to the mud it destroyed the cyanide and the end result was non-toxic slabs of metal, 96 per cent iron, says Szente.

Marco Antonio Barbieri, director of a chrome company and spokesman for around 100 small galvanisation companies involved in the project, says plasma treatment is likely to cost $40-$70 a tonne compared with about $200 for landfill, $400-$800 for cement kilns and $1,500 for using private incinerators.

Despite all its apparent advantages, plasma's progress so far in waste disposal has been piecemeal. Szente says this is partly because it is still a relatively unknown technology, and also hecause companies are unwilling to decommission expensive incinerators to spend more money building plasma units.

Cities take the strain

A business-funded international congress on the impact of cities on the environment held in Hong Kong earlier this month has highlighted the contribntion that the private sector can make in finding solntions to environmental problems, *writes Peter Knight*.

More than half the world's people are expected to live in towns and cities hy the turn of the century.

The population of Mexico City, for example, is already 15m and growing, creating significant water and air pollntion problems.

The congress hrought together 47 speakers from different parts of the world, including a senior managing director of Mitsubishi Electric, the chief executive of the UK's nuclear power stations and a Manila nun campaigning for squatters' rights. The Prince of Wales gave the opening address.

Funding for the week-long event came from 20 companies, including the John Swire group and World-Wide Shipping of Hong Kong, Mitsuhishi Electric and Marubeni Corporation of Japan, and Anglian Water, Friends Provident Life Office and Nuclear Electric of the UK.

"Business has a role to play, and indeed a duty, in helping to find solutions. Conferences such as these help to focus the mind on what needs to be done and how best to achieve it," says Boh Hawley, chief execntive of Nuclear Electric.

The congress, which included a large contingent from China, discussed a range of issues on the environmental and human problems created by cities.

The closing statement acknowledged the source of sponsorship but called on the private sector to be more active in seeking solutions. A first step would be to accept a greater civic responsibility.

"As a strictly private-sector initiative we could adopt a more holistic approach, which gave equal consideration to the human, scientific, technological and legislative aspects of environmental protection," says congress organiser John Calabrini.

FINANCIAL TIMES SURVEY

MEXICO

Wednesday November 23 1994

A new political landscape emerges: See Page II

The economy shows remarkable resilience: See Page III

VICTORY SMILES – AND ANGRY PROTESTS: A jubilant Ernesto Zedillo, left, speaks to journalists during the Mexican presidential election. Pictured right, some of the tens of thousands of protesters – members of the opposition Revolutionary Democratic Party (PRD) – who later claimed there was electoral fraud in the national elections. Pictures by Damian Dovarganes/AP

Zedillo faces formidable obstacles

An economist with limited political experience, Mr Ernesto Zedillo, Mexico's president-elect, will assume power next month amid a highly volatile economic and political climate, reports **Damian Fraser**

Mr Ernesto Zedillo becomes president of Mexico on December 1 with a daunting task ahead of him. Before his six-year presidential term is up, he has promised to deliver strong, sustainable economic growth, provide a million jobs a year and reduce the country's sharp inequalities in income. On political issues, he has pledged to overhaul the judicial and legal system, and implement sweeping reforms to turn Mexico into a modern democratic state.

In the best of times, such promises would be hard to keep. The proposed democratic and political changes would undo a political culture of quasi-authoritarian rule that is still the norm in much of the country, and has kept the governing Institutional Revolutionary Party – the PRI – in power for 65 consecutive years. Even if Mr Zedillo is sincere in his call for democratic change, he is bound to meet resistance.

In view of the still formidable obstacles to greater industrial competitiveness, the fulfilment of Mr Zedillo's stated economic goals is unlikely to he much easier. Mexico's poor educational system, inadequate infrastructure, lack of an entrepreneurial culture and low savings rate set it apart from many of the Asian tigers that have grown so rapidly over the past 20 years.

To make matters tougher, Mr Zedillo assumes power in a highly volatile economic and political climate. The peasant rebellion in Chiapas over the New Year, the recent assassinations of leading political figures and the increasing assertiveness of drug cartels, have worried investors.

Many wonder whether the old corporatist structure that kept Mexico stable for 65 years is breaking down. In recent months, the exchange rate has come under pressure, interest rates have been forced up to around 7 per cent in real terms, and many sectors of the economy have suffered from a credit crunch.

Despite such worries, there are grounds for guarded optimism. Mr Zedillo's policy proposals appear to address the right issues. He and the Ivy-league trained technocrats that surround him seem convinced that the difficulties Mexico now faces are proof that economic and political reform of the past decade needs to be speeded up, not slowed down, and that the modernisation of the state must continue.

For Mr Zedillo and his advisers such modernisation appears to mean reforming the country's political and social institutions, and strengthening the rule of the law.

Whereas President Salinas used the PRI as a vehicle to exercise power, dismissed more than half the country's state governors, and delayed judicial reform until it was too late, Mr Zedillo has promised to make the PRI independent of the government, devolve federal powers to state authority, and give independence to the judiciary.

By opening new channels for political participation, these reforms – if they are carried out – may in the long run contribute to the stability of the country. But they will also depriva the president and his allies in the ruling party of many of the traditional mechanisms of political control. They could provoke a power battle between different interests groups in the country, as they simultaneously resist and seek to take advantage of the changes under way.

Mr Zedillo has already begun one aspect of the reform of the PRI, so far complying with his promise not to insist on picking the party's candidates for elective office and to promote a more democratic selection-process. Such a reform – if stuck to – may strengthen the PRI at a local level, and make government leaders more responsive to the party rank and file than in the past.

Internal democracy is expected to curtail presidential power, however, and make party members less loyal to the sitting president and his policies than in the past. Once he assumes office, Mr Zedillo is likely to announce a series of far-reaching constitutional changes to reform the legal and judicial system.

While the details are still under wraps, Mr Zedillo is expected to change the make-up of the Supreme Court and give it more independence; create a civil service for the judiciary to promote efficiency and integrity; and perhaps enable judicial decisions to apply to laws in general, rather than just to individual cases as is now the case. Again, presidential power would he reduced.

The president-elect has further promised an accord with the opposition on political liberalisation. Given the PRI's convincing win in the August election, Mr Zedillo is expected to be willing to make the Federal Electoral Institute fully independent of the executive. But in view of tha extravagance of Mr Zedillo's electoral campaign, there is much greater uncertainly whether he will push through laws that make competition between different political parties more fair, and ensure the media play a more balanced, objective role in the political system.

The president's ability to marshal support for his reforms – and contain the political consequences – will depend in part on the performance of the economy.

It is probably no accident that President Salinas's control of the political situation began to slip when the economy was facing its greatest difficulties: gross domestic product shrank in the final two quarters of last year, and expanded by a modest 0.5 per cent in the first quarter this year.

Fortunately for Mr Zedillo, a strong economic recovery already appears under way, with growth in the second half of this year predicted at 4 per cent.

At the same time, inflation is likely to fall below 6 per cent this year; the budget will probably be in balance; and net debt is a less than a quarter of GDP. More importantly, productivity has grown rapidly in recent years, as companies have restructured and invested heavily in new machinery.

Nevertheless, the large current account deficit – expected to be about $28bn – makes continued economic recovery heavily dependent on capital inflows, which partly depends on the international context.

Mr Zedillo will have to balance the demands of foreign investors for an austere hudget and orthodox economic policy and pressures within Mexico to tackle mounting social problems and improve infrastructure through greater spending. If the political situation does not improve, he may have to choose between maintaining high real interest rates or adjusting exchange rate policy.

With Mexican businesses expected to come under increasing competitive pressure as a result of the North American Free Trade Agreement, Mr Zedillo will certainly have to speed up the pace of micro economic reform.

Deregulation is likely to be intensified at the state level and sectors such as railways will be opened up to greater private investment. Mr Zedillo will increase spending on training and education and probably introduce some fiscal incentives to encourage savings.

Such reforms will help boost productivity and competitiveness – and raise real wages. But they are unlikely to do much in the short term to help the plight of the 14m Mexicans under the official poverty line. Most of these live in the countryside, have little education, and will find it hard to integrate into the modern economy Mexico hopes to attain.

If economic reform continues to accentuate regional and social income disparities – between 1989 and 1992 the share of income of the poorest 40 per cent of Mexicans fell from 12.9 per cent to 12.7 per cent, while the share of richest 30 per cent increased from 65 per cent to 65.6 per cent – political sustainability of the reform programme could be in doubt.

Mr Zedillo is a professional economist with limited political experience. There are some questions whether he will be able to manage this complex economic and political environment. The success of his efforts will determine in large part whether Mexico can make the jump from the developing to developed world before the end of the decade.

MEXICO'S ECONOMIC PROGRESS IN FIGURES

	1987	1988	1989	1990	1991	1992	1993	1994*
Growth (GDP), percentage	1.7	1.2	3.3	4.4	3.6	2.8	0.4	1.8
GDP in US $bn	141.4	173.5	208.9	241.7	286.8	329.4	356.1	387.2
Growth in net investment, %	3.2	5.8	6.2	12.2	10.8	8.9	−1.4	3.5
Public sector fin. balance, %	−16.1	−12.5	−6.8	4.0	1.8 (1)	0.5 (1)	0.7	−1.5
Imports, $m (2)	13,306	20,274	25,438	31,272	38,184	48,193	48,924	56,408
Exports, $m (2)	20,495	20,546	22,842	26,838	26,855	27,516	30,001	33,283
Current account balance	3,820	−2,922	−6,085	−8,106	−15,040	−24,804	−23,433	−27,432
Inflation, percentage	159.2	51.7	19.7	29.8	18.8	11.9	8.0	7.5
Real exch. rate, Ps/US$ (3)	1.00	0.78	0.75	0.71	0.64	0.58	0.56	0.58
Net flows of capital, $m (3)	−576	−1,448	3,037	8,164	23,100	25,900	29,500	23,500
International reserves, $m	13,188	6,038	6,311	9,725	17,547	18,554	24,538	20,606

*Forecast; 1, excludes privatisation income; 2, excludes maquiladoras (in-bond imports and exports); 3, exchange rate at year-end; Source: Banco de México

MEXICO II

Aftermath of the presidential elections

New political landscape emerges

Mexico's foremost challenge is to build a workable democracy, writes Luis Rubio

The August presidential election created a radically new political landscape, one which should allow the country's ills to be faced with the strength that only a legitimate government can provide.

Even more important, by voting in such huge numbers (almost 78 per cent of registered voters), Mexicans discredited violent attempts to grab power, of which there have been many examples in the last few months. The impressive turnout of voters also indicated that Mexicans *want to pursue* the *change that* has taken place over the last decade, but that they want it to deliver benefits to all, right now. The question is whether the government can deliver.

The old, authoritarian political system, established in the late 1920s, together with a closed, protected and subsidised economy, hindered Mexicans from attaining higher standards of living, while preventing them from building a political system that would have provided them with a proper system of justice as well as influence over the political decisions that affect their lives.

The old 'certainty' was replaced, since the uprising in the southern state of Chiapas on January 1, by extreme uncertainty. The traditional rules and structures had ceased to function and Mexicans suddenly found themselves lacking institutions that could help resolve the newly-found difficulties.

While the electoral process was hastily restructured to make it possible to hold proper elections in August – which were much more successful than *virtually anyone* had anticipated – the environment in which these were held was conducive neither to clean electoral competition nor economic development.

The task ahead is clear: by the end of the next administration, Mexico should have in place a set of institutions – or at least strong foundations for them – which will secure continuous peaceful transfers of power in government, which allow Mexicans to settle disputes in a non-violent way and with full regard for the law, *and that, in conjunction* with an economic policy that induces rapid economic growth with price stability, make it possible for Mexicans to get closer to the levels of per capita incomes of their richer brethren in south-east Asia.

There would be many benchmarks for this process:

☐ First, there would have to be, once and for all, local and state elections that are undisputable. This would mean not only that rules and realities are impeccable in terms of the 'level playing field' that they provide, but also that all politi*cal parties cease* to make every election a contest, at best, of non-institutional strength and, at worst, of reckless self-interest.

☐ Second, the government and all political parties would have to come to terms with the new realities of the economy as well as with the need to work together in the process of governing. This would mean that the government, in practice, recognises that the opposition parties represent a significant portion of the population (after all, close to 50 per cent of the electorate voted for them) and that, as a result, they should have a say in the process of government. Up to now, for example, all agencies in the legislature that are supposed to keep watch on the government have been in the hands of the government party. Those should *unequivocally be held* by opposition parties.

As regards the economy, the struggle for power over the last few years has been extended to this arena, even though the three leading political parties, at least formally, vow to pursue similar economic policies.

The main case in point is the North American Free Trade Agreement (Nafta). The PRD, the left-of-centre political party, launched an extraordinary campaign in Mexico as well as in the US and Canada, aimed at defeating Nafta. This was not so much because it opposed the treaty, but because it wanted to oust PRI from government. If a strong turnabout of the economy is to be reached, all political groupings would have to be party to efforts necessary to transform Mexico's productive base.

By the same token, Mexico will probably not experience a long-lasting recovery – measured in terms of decades as in south-east Asia – unless it faces up to the dual problem of unequal income distribution *and dramatically low levels of* education in a manner fully compatible with a market economy. In other words, until Mexicans break away from their past, they will not reach the level of development they desire and deserve.

☐ Third, while the dramatic change in the elections was due to the one factor that nobody predicted – an extraordinary voter turnout – none of the parties cares that much about what happens to the average Mexican.

Trumpeting campaigners for the leftist Partido de la Revolucion Democratica in Puebla City. The PRD's defeat was as a heavy blow to the party's candidate, Cuauhtemoc Cardenas, who many believe was robbed of victory in earlier elections – see the report on this page: An uneven playing field.

Picture: Heriberto Rodriguez, Reuter

The absence of re-election at all levels of government means that almost no politician pays any attention to the people, except in either a general way or when targeting individual interests they want to tap.

Yet, it is Mexicans at large that will make the difference in the next several years and that will determine whether the economy can experience a strong surge of productivity and growth or not. For most Mexicans, the hard reality of life is that there is no clean and fair judicial system, there are no means to fight corruption, and the most basic rights are too limited to be properly called 'rights.' A drastic change at the level of government and in the negotiations among the political parties should introduce changes that will improve the people's lot. But that will only take place when incentives are in place to drive politicians, the government, and the political parties to cater to popular needs.

Given the situation in Mexico, that would probably require a new constitutional framework, one that is clean and non-contradictory; in other words, something that can be turned into reality, as opposed to today's legal framework, which is neither respected nor realistic. When that happens, Mexico will have a working democracy.

The writer is the Director of the Centro de Investigacion para el Desarrollo, a development think tank, in Mexico City.

Elections were far from fair, claim angry opposition parties

An uneven playing field

It came as a rude shock to the Mexican opposition that despite the cleanest elections in the country's history and record voter turnout, they were still far from dislodging the PRI's tenacious grip on power.

It is not surprising, therefore, that the debate following the August 21 contest has focused on the uneven playing field which gave the ruling party an unbeatable advantage. The PRI's electoral machine far outspent its rivals thanks to high campaign expenditure ceilings ($275m per party) set by the government and the generous contributions of private businessmen to the PRI's war chest.

Television and radio coverage of the elections was openly biased in favour of the ruling party, to which private media companies owe their broadcasting licenses. And in the timeless Mexican tradition, government officials, from state governors down to the *caciques* (local bosses) of the smallest village, continued to help PRI candidates, albeit with more discretion than in the past.

As a result, both the right-of-centre Partido de Accion Nacional (PAN) and the leftist Partido de la Revolucion Democratica (PRD) are refusing to endorse the victory of the PRI presidential candidate, Mr Ernesto Zedillo as fully legitimate. The PRD is challenging the results of 55 per cent of all voting booths, claiming massive fraud.

While the PRD's complaints lack credibility – monitoring on election day was tight – the opposition has nevertheless learned to exploit its underdog image to maximum advantage. And the emerging consensus, from opposition parties to civic action groups to the independent councillors who sit on the Federal Electoral Institute, is that elections in Mexico may now be free, but they remain far from fair.

Armed with 15m votes, the opposition is pressing for deeper political reforms. The PRI, they say, must become a genuinely independent party rather than the state's electoral arm. Realistic limits must be placed on the expenditure of political parties during election campaigns, and these must be scrutinised by independent auditors. The media should be more closely monitored for political bias.

If Mr Zedillo's campaign pledges are to be believed, the government *is* willing to listen. The first political reform likely to be negotiated by the incoming administration would give greater autonomy to the Federal Electoral Institute, which organises and oversees elections. At present, the institute is headed by the interior minister. Six independent "citizen councillors" have a voting majority on the governing board, but the interior minister is the only member of the council who can call board meetings, and he sets the agenda, and appoints all the executive officials.

"If the government is serious about democracy," says Mr Santiago Creel, one of the citizen councillors on the governing board, "it should withdraw from the Federal Electorel Institute. The institute must become a truly independent fourth estate."

Mr Creel says the six citizen councillors will resign if their demands are not met. He has received death threats for his outspoken views – once at gunpoint outside his house – in an unpleasant reminder of the powerful vested interest aligned against further political reforms.

The onslaught against government, however, has thus far distracted opposition parties from taking a hard look at their own failings.

Despite tripling its votes in the 1994 elections, the PAN's presidential nominee, Mr Diego Fernandez de Cevallos, has been widely criticised for failing to capitalise on his surge in popularity following Mexico's first-ever televised debate between presidential candidates in June.

After the debate, his campaign appeared to fizzle out. He was the runner-up on election night, polling about 27 per cent of the vote.

"We have achieved respectability, but we are not yet regarded as a credible alternative *to the ruling* party," admits Mr Felipe Calderon Hinojosa, the PAN secretary-general.

More worrying still is the fact that the PAN lost heavily in the three states were it holds state governorships. The PAN's greatest challenge is how to grow into a party commensurate with the 9.2m votes it won in August.

The PRD's problems are more serious. The party's internal schisms – between those who favour a nationwide dialogue to win incremental political reforms and those who advocate a complete break with the "system" – have become deeper and more bitter since being relegated to third place in the 1994 presidential contest. The PRD'a defeat came as a particularly heavy blow to Mr Cuauhtemoc Cardenas, the presidential candidate who many believe was robbed of victory during the much-disputed 1988 elections.

Some PRD activists admit they failed to read the cautious mood among the electorate in a year which saw a peasant rebellion in Chiapas and the assassination of the PRI's presidential nominee.

Above all, they did not perceive the growing popular support for results of President Salinas' economic reforms – "we were fighting yesterday's bettles," says Congressman Adolfo Aguilar, who was Mr Cardenas' campaign spokesman during the elections.

Leslie Crawford

Ernesto Zedillo prepares to name his cabinet

Tricky balancing act

When asked if he ever thought about becoming president of Mexico as a young man, Mr Ernesto Zedillo breaks into a spontaneous laughter and says only fools have such plans.

Enormously hard-working and ambitious, Mr Zedillo always sought to avoid the impression that his sights were set on the presidential office. In his five years in the cabinet – first as budget minister and then as education minister – he avoided the limelight, built few alliances inside the ruling party, and earned a reputation for being a political loner.

He won the ruling party's nomination largely by default. After the assassination of Luis Donaldo Colosio, the former presidential candidate whose electoral campaign he managed, he was practically the only member of President Salinas's inner circle who was eligible for office – most of the *others were disqualified* by a constitutional article which prevents sitting cabinet ministers from running for presidential office six months before the election.

Despite his political inexperience, Mr Zedillo proved an effective, if uninspiring, candidate. He smoothed over divisions in the PRI that followed by his nomination by appointing key figures from different sectors of the party to campaign positions. He won some public support by stressing his poor roots – he is the son of an electrician and a nurse – and his administrative experience in government.

He also set out in detail the policies he would follow were he elected. He used to the full advantage – and with no apparent shame – the PRI's huge electoral machinery, spending many times more money than opposition parties.

Despite the extravagance of his campaign, Mr Zedillo's most striking electoral pledge was his promise for far-reaching democratic and legal reform. In a key-note speech, Mr Zedillo committed his government to a fundamental reform of the PRI, of the country's judicial and legal system, of the relationship between federal and *state* government, of the role of Congress, and of the federal electoral institute.

Mr Zedillo has already set in motion the reform of the PRI and he has agreed in principle to give the Federal Electoral Institute full independence of the government. Campaign officials are working on a comprehensive overhaul of the judiciary and police, to make them more professional, and promote honesty and independence from the executive.

But the hard part has still to come. Many are sceptical that Mr Zedillo will be able to push through political and legal reforms on such a sweeping scale. Others are worried that if he does, there could be fierce resistance from his own party, and a loss of presidential power and increase in political instability.

The first test of Mr Zedillo's political abilities will come with the naming of his cabinet. He will have the difficult task of balancing political interests in the ruling party, rewarding his closest and most loyal colleagues, and putting the most capable people in the right slots. The inner circle of Mr Zedillo's associates destined for senior positions are all trained economists, reflecting Mr Zedillo's background.

Zedillo: committed to fundamental political and judicial reforms

Key figures are said to be Mr Jaime Serra Puche, 43, trade minister and a colleague from their days at Yale University; Mr Guillermo Ortiz, 46, deputy finance minister, and another personal friend; Mr Esteban Moctezuma, a youthful 40-year-old who worked with the president-elect in the education and budget ministries and was his campaign strategist in the election; Mr Luis Tellez, 36, former agriculture underminister and now Mr Zedillo's main adviser *on government* policy.

Mr Serra or Mr Ortiz are expected to become finance minister, with the one losing out going to another senior cabinet position, such as communication. Mr Moctezuma has little political experience, but is viewed by some as a candidate for the development ministry, education, or possibly for the powerful interior ministry. Mr Tellez may become chief of advisers, or go to trade or agriculture ministries.

The big question mark is over the political positions, especially the interior ministry. There are few old-style politicians with close ties to Mr Zedillo, but some will have to be appointed. Apart from Mr Ignacio Pichardo, head of the PRI, Mr Zedillo may consider giving political slots to Mr Arsenio Farrell, the former labour minister, and one of the governors of the states of Mexico, Aguascalientes, and Veracruz.

Mr Pedro Aspe, the finance ministry and one-time rival of Mr Zedillo, has made no secret of his desire to spend more time with *his family*. But he is likely to be offered a post, and may come under pressure to accept Pemex, the state oil company, the labour ministry, *or perhaps the foreign ministry.*

Apart from Mr Pichardo, other PRI officials expected to win cabinet-rank jobs are Mr Jose Angel Gurria, the multilingual former debt negotiator who is considered a possibility for the foreign ministry or transport ministry; Mr Oscar Espinosa, former head of the state development bank. Mr Humberto Mira Lora may be rewarded for doing a good job as PRI's electoral chief.

Mr Zedillo is also close to some relatively unknown mid-level bureaucrats – Mr Rogelio Gasca Neri, deputy minister of transport; Mr Pascual Garcia, competition commissioner; Mr Juan Diaz Canedo, a former banker; Antonio Meza, former private secretary. One or two may make it to the cabinet, and others will become underministers or advisers in the office of the president.

At least two women are expected to be appointed. Despite run-ins with Zedillo, the front-runner in this group is Maria de los Angeles Moreno, the new secretary-general of the PRI. One opposition or no-PRI figure is likely to be named to the cabinet – perhaps to the attorney-general's office, but more probably to a lesser position. The nomination of a businessman might send a positive signal to the private sector – Mr Gilberto Borja of ICA, Mexico's largest private company, is mentioned as a leading candidate.

Damian Fraser

Damian Fraser on radical reform plans for the PRI – the Institutional Revolutionary Party

A degree of scepticism

"As president of all Mexicans, I am determined not to interfere, in any way at all, in the process of selection of candidates of the PRI, of all types, from municipal presidents to presidents of the republic."

With these words, Mr Ernesto Zedillo proclaimed his intention to push for the most radical reform of the Institutional Revolutionary Party since its foundation 65 years ago.

The reform, in theory, would make the PRI independent of the president and the government of the day. It would remove the president's power to pick PRI candidates for elective office (the so-called *dedazo*) and require the PRI to finance itself *independently of the* government.

The pressure for change comes from both within and outside the PRI. Opposition parties and many observers contest that the reform of the PRI is indispensable for democratic change in the country. Within the PRI, many officials grudgingly accept that reform is necessary for the legitimisation of the political system; others, frustrated by presidential control of their party, want a greater say in shaping government policy and in picking candidates.

Nevertheless, there is some scepticism that the internal reforms will be implemented as described. *Stiff opposition* to financial reform is likely to come from those who depend on the party for a living, and from those who fear that the PRI will find it more difficult to win elections when competing on a level playing field with the opposition.

Mr Zedillo himself may reconsider his pledge not to interfere in the affairs of the party if the PRI picks candidates opposed to his policies, or if the party tears itself apart as different factions fight over the best posts.

Many observers recall that President Salinas quickly dropped his commitment to have internal primaries after his favoured candidate for the governor of the state of Colima was defeated in a primary by a local notary. But while a retreat is possible, the timetable for reform has been set, and a reversal would be politically costly. PRI leaders have agreed to hold a National Assembly by the middle of next year, which is intended to put into statute books any reforms agreed on.

Mr Jesus Reyes Heroles, the PRI official in charge of internal reform, says without hesitation that most of the changes will be implemented in time for the 1997 Congressional elections.

In a sign of its seriousness about reform, the PRI has in fact already changed the way it selects its candidates. The candidate for governor of Jalisco was to be chosen in a secret ballot of around 2,000 delegates in a convention; in preceding weeks, the PRI picked candidates for local elections in the states of Tlaxcala, San

Continued on facing page

MEXICO III

A decade of economic restructuring is bearing fruit, reports **Leslie Crawford**

The economy is remarkably resilient

The Mexican economy has shown impressive resilience during a jittery election year which began with a peasant rebellion in Chiapas, was followed by the assassination of Mr Luis Donaldo Colosio, the PRI presidential candidate, in March, continued with two damaging banking scandals and a heightened perception of the menace posed by Mexico's drug barons, who may have had a band in the murder of the PRI secretary-general, Mr Jose Francisco Ruiz Massieu, in September.

It has taken considerable skill to neutralise such sustained blows to domestic and international confidence in Mexico's economic future.

The most visible cost to the economy has been the depletion of the country's international reserves, which dropped from $28.02bn in October 1993 to $17.24bn last month. Much of the fall took place during the Central Bank's attempts to defend the peso, following Mr Colosio's death.

Despite political instability, Mexico has been able to generate some positive economic results. Gross domestic product is expected to grow by almost three per cent this year, its best performance since 1991.

For the third year in a row there will be no fiscal deficit. Inflation in 1994 is expected to be contained below seven per cent, while an economic pact signed between government, labour and employers in September has set an inflation target of four per cent for 1995.

The goal may be too ambitious, but the trend of lower inflation is expected to be maintained.

By setting such a target, the authorities have committed themselves to continued fiscal discipline and maintaining a strong peso. Furthermore, wage growth will be restricted to four per cent, plus productivity bonuses.

The economic restructuring that caused so much pain during the past decade appears to be finally bearing fruit. Productivity in the manufacturing sector is rising by about 10 per cent a year, according to government figures, although the gains have not been uniform. The steel, cement and capital goods sectors have adapted best to the competitive stress of a more open trading regime, while many companies in the pulp and paper, textile and footwear industries have gone under.

"The liberalisation of the economy has attracted much new investment, but it has also destroyed a great deal of old capital stock," says Mr Miguel Mancera, governor of Mexico's newly-independent Central Bank. He believes the shake-out of inefficient manufacturers has run its course, and that the worst-affected sectors, such as textiles, are now back on their feet.

All this is contributing to a strong increase in manufacturing exports, which in the first half of 1994 jumped by 20.9 per cent, and partly explains the modest recovery in economic growth. Mr Ernesto Zedillo, the president-elect, will inherit a balanced budget, single digit inflation and a largely deregulated economy which many analysts believe is poised to return to a period of stable and sustained growth.

As a former central banker and budget minister, Mr Zedillo is unlikely to change the economic course set by the Salinas administration. But like all new presidents, he will want to put his personal mark on economic policy. Over the next six years, he has pledged to boost the country's lacklustre economic growth, provide around 1m new jobs a year, improve the country's highly unequal distribution of wealth, while maintaining low inflation and keeping public finances in order.

Mr Zedillo has also pledged to increase public spending on infrastructure projects by 25 per cent during his first year in office, in a tacit admission that inefficiencies in the state-owned railways, electricity and oil sectors have become big impediments to faster economic growth.

In an accelerating economy, however, many economists worry that imports could grow faster than exports, widening a current account deficit that is expected to reach $27bn in 1994, about seven per cent of GDP.

"The current account deficit is unsustainable," says an Mr Rogelio Ramirez de la O at the economic consultancy, Ecanal. "It is being financed by largely speculative foreign capital inflows which are both volatile and sensitive to bad news. And it locks the government into maintaining high real interest rates, which in turn puts a break on growth."

At present, Mexico's foreign reserves (backed by a $6.7bn credit line from the US and Canada and additional support from the International Monetary Fund and World Bank), plus net capital inflows of some $23.5bn, are sufficient to cover Mexico's external financing gap and deter speculation against the peso.

But some economists caution against Mexico's over-dependence on foreign capital to finance the trade gap – "Mexico has little control over this kind of capital inflows," says Mr Jonathan Heath, a consultant with Macro Asesoria Economica.

"It depends on exogenous factors, such as US interest rates and how other world stock markets are performing, rather than the yields on Mexican treasury bills and the performance of the Mexican bourse."

If political uncertainty or a widening trade gap led portfolio investors to bale out of Mexico, the resulting pressure on the peso and interest rates could disrupt Mr Zedillo's best-laid economic plans.

The overriding goal of the Salinas administration, which Mr Zedillo promises to follow, has been to curb inflation to levels that approximate those in the industrialised world. That, and a commitment to a stable exchange rate, has severely restricted the government's room for manoeuvre in macroeconomic policy.

The Pacto (agreement) signed in September left the daily slippage of the peso fluctuation band unchanged, which will place an upper limit of about five per cent on the peso's depreciation during 1995.

The incoming administration appears to have ruled out a devaluation of the currency – which some economists consider long overdue – to stimulate exports.

"The problem of exports will not be solved by devaluing the exchange rate," said Mr Zedillo, in a recent interview with *El Economista*, a Mexican financial daily.

"A devaluation would not compensate for the lack of productivity, competitiveness and adequate strategies to penetrate export markets."

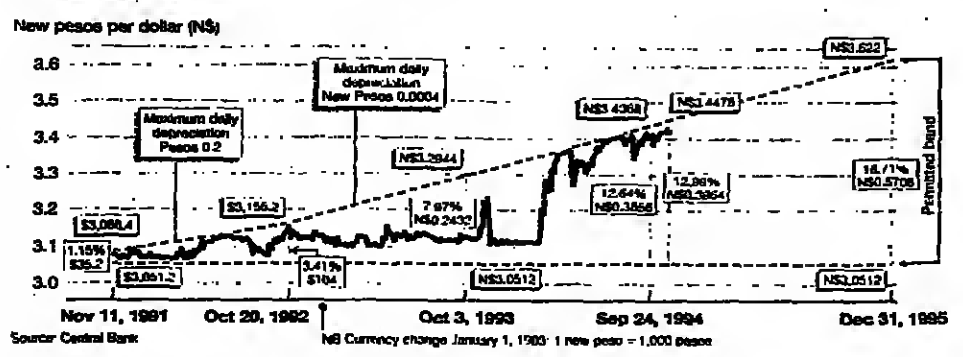
There is also the fear that a devaluation would rekindle inflation. But the commitment to a strong peso has also kept domestic interest rates high, leading businessmen to complain that the prohibitive cost of credit is choking growth. They say they compete with US manufacturers when prime lending rates are at least eight percentage points higher than those in the US.

Mr Mancera at the Central Bank appears unwilling to use interest rates as a policy instrument to stimulate growth.

"Interest rates reflect the price of capital and the general perception that inflation in Mexico is not yet fully under control," he says.

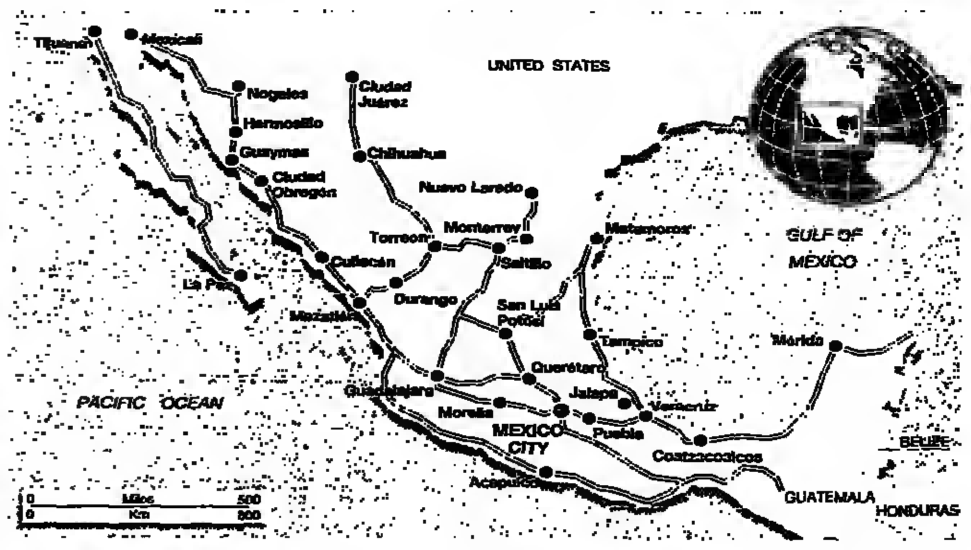
Exchange rate

New pesos per dollar (N$)



Source: Central Bank

N$ Currency change January 1, 1993: 1 new peso = 1,000 pesos



TRADE BALANCE			
Figures in US$m	Jan-June 1993	Jan-June 1994	% change 1994/93
EXPORTS	24,717	28,830	16.6
Oil/oil products	3,838	3,408	-11.2
Non-oil products	20,879	25,422	21.6
Agric/fisheries	1,620	1,682	3.8
Minerals	130	170	30.8
Manufactured goods	19,129	23,570	23.2
Maquiladoras*	10,072	12,166	20.8
Others	9,057	11,404	25.9
IMPORTS	31,704	37,689	18.9
Consumer goods	3,678	4,417	20.1
Intermediate goods	22,531	26,948	19.2
Capital goods	5,495	6,324	15.1
TRADE BALANCE	-6,987	-8,859	26.8

*In bond exports and imports; data sources: Banco de Mexico for 1993 data; Ecanal for 1994 data

Customer service in domestic banks has improved significantly, reports **Damian Fraser**

Foreign banking competition intensifies

Mexico's richest businessmen may now be regretting the $12.4bn they paid for the country's 18 formerly state-owned banks. In the two to three years since the banks were privatised, the market value of most has fallen in real terms, with profits and asset quality affected by the lower than expected economic growth, and higher than expected interest rates.

The economic climate appears to be improving – growth is picking up and loan-default rates have stabilised – but the banks now face the challenge of increased foreign and domestic competition.

In October, the government authorised foreigners to open up five financial groups, 18 banks, 16 brokerages, and 12 insurance companies, to compete alongside 54 domestic institutions, 36 of which have been set up since the privatisations.

The recent problems in the financial sector have been caused mainly by the generous lending in the early 1990s and subsequent deterioration in Mexico's economy.

Bank lending increased in the early 1990s by more than 20 times the growth in GDP as the government deregulated the financial sector and interest rates fell; once the economy deteriorated, and interest rates rose, many companies which had over-borrowed were unable to meet their interest payments and defaulted on their loans.

The ratio of past-due loans to total loans has grown from 4.12 per cent in 1991 to 8.3 per cent at the end of September. Banks have been forced to put aside provisions for the non-performing loans, reducing their profits. The poor quality of their credit has required them to maintain high margins on lending to cover for the chance of default, putting further pressure on Mexican companies.

Moody's, the rating agency, in a recent report, put most of the blame of the current situation on the banks' poor information systems and weak management.

"The system's ability to adjust to a liberalised banking environment has been hindered by a lack of experienced managers, poor borrower disclosure, a lack of strong credit culture, the paucity of credit bureaux and close links with concentrated industrial sectors," concluded the rating agency.

Mexican banks have sought to improve efficiency and control credit risks by investing in new computerised information systems

The downturn in the sector has co-incided with two banking scandals that have highlighted the government's inadequate financial regulation. This year the finance ministry took over Grupo Financiero Havre – an insurance, leasing and brokerage company – and Grupo Financiero Cremi-Union, one of Mexico's largest banks. The top managers of Havre and Union are both accused of illegally channelling loans to their own business interests.

The finance ministry has subsequently prepared new regulations that will require auditors and external directors to play a more active role in scrutinising operations of their companies, and encourage the formation of institutions to rate the credit worthiness of domestic banks.

New rules forcing banks to assess their exposure to market-risks – such as interest rates or devaluation – have also been announced. At the same time, largely in response to increasing competition in the sector, Mexican banks have sought to improve efficiency and the ability to control credit risks by shedding workers, and investing in new computer systems. Client service in domestic banks has also improved significantly, with average waiting lines at most counters reduced significantly.

GF Bancomer, Mexico's second largest financial institution, has, for example, employed UK consultants, Proudfoot, to re-engineer the way its commercial bank goes about its business.

Mr Hector Rangel, deputy chief executive, says the total restructuring of operations has enabled it to cut personnel – mainly among middle management – by 30 per cent without sacrificing customer services. Once redundancy payments have been made, GF Bancomer expects costs to fall sharply.

Foreign institutions are meanwhile expected to put additional competitive pressure on domestic financial groups, although given the initial limits on their capitalisation, the impact of their presence in Mexico will only be felt over the long-term. Initially, foreigners will account for 6.25 per cent of the banking sector's market capitalisation – the legal ceiling for 1994 is 8 per cent – and 10 per cent of the brokerage's market capitalisation.

Under the opening, foreign brokerages will for the first time be able to execute orders in the stock market for foreign clients, and thus will no longer having to pay commissions to Mexican houses. This may eventually contribute to a lowering of overall commissions, as Mexicans compete harder to keep foreign business.

In the banking sector, foreigners are expected to concentrate on capital markets activities, and on corporate finance for blue-chip corporate companies, where competition is already intense. However, analysts expect the foreign presence in the blue-chip corporate segment of the banking market to have a trickle-down effect, as Mexican banks respond by increasing lending to less well-known medium and small-sized companies, where margins are higher, and their competitive advantages greater.

"The broadening and deepening of Mexico's domestic money and capital markets will, over time, lead to a more efficient allocation of credit across the board and reduction in the cost of capital," says Roberto Mendoza, vice-chairman of JP Morgan, one of five foreign institutions to have been granted approval to set up a financial group.

"As competition grows, participants in the market will be forced to play to their strengths," he says.

The large number of foreign institutions – and the tens of millions of dollars that each will be investing in Mexico – has raised questions about whether all of them will prosper. Much will depend on the economic growth. But drawing lessons from the financial institutions that prospered after London's Big Bang, Mr Mendoza says that those which already do a lot of business with Mexico will be best-placed to succeed.

PRI reform plans

Continued from facing page:

Luis Potosi and Guanajuato through primaries or conventions. Party officials describe the results so far as a big success. The danger remains that conventions or primaries will be dominated by old-style local party bosses, who will (legitimately or not) be able to ensure the election of their own supporters to important posts.

Officials say they will seek to prevent the manipulation of the selection process by screening out – at the national level – any undesirable candidates and by setting up a commission to oversee internal elections, but even they accept such precautions may not be enough.

Instead, many PRI officials say the process will only work in the long run if the structure of the party is changed so that grass roots activists are given more power, and union, peasant and local political leaders, less – "the way to solve the problem of [dominant local leaders] is to increase the presence of the territorial sector of the party," says one official. Such a process will likely be opposed by traditional corporatist sectors, creating conditions for a possible showdown.

The reform of the finances of the party may meet even more resistance, with many faring that a radical reduction in the PRI's financial resources will threaten its long-term hold on power. Perhaps for this reason, Mr Zedillo has been much more vague on details of financial reform than on the change in the way of selecting candidates.

No-one knows for sure what the annual running expenses of the party are – but in all 32 states there are scores of PRI offices, and hundreds if not thousands of PRI employers. Mr Reyes Heroles says the payroll has been cut by 70 per cent since the election; but he hints that such reductions only touch the surface of what needs to be done. The opposition has small fraction of such resources at its disposal.

Mr Santiago Creel, the most prominent citizen magistrate of the Federal Electoral Institute, suggests that one way to separate the PRI and the government would be to give the opposition control of the Congressional Committee that scrutinises public finances, of the office of the Comptroller-General, and to require continuous auditing of the finances of all political parties. The PRI has yet to respond to such an initiative; but if it is serious about reform, these measures and others may be necessary.

Investment sought for infrastructure and services

Business needs new transport systems

Few challenges can match the need to modernise Mexico's infrastructure in roads, ports, railways, sanitation and telecommunications. The success of Mexican exports and the survival of local manufacturers facing increased foreign competition will depend in large measure on the improvement of these services, which businessmen regard as costly, inadequate and inefficient.

Over the next 15 years, Mr Andres Conesa of Grupo ICA, Mexico's largest construction firm, estimates the country will need to:

- ☐ Build 60,000km of highways.
- ☐ Lay 6,600km of railway track and reinforce 5,000 bridges.
- ☐ *Modernise 183 ports* and put into operation three industrial ports on the Pacific coast and three others on the Gulf of Mexico.
- ☐ Establish an alternative airport system for Mexico City.
- ☐ Duplicate the number of telephone lines.
- ☐ Extend irrigation from 6m to 8m hectares.
- ☐ Revamp 250 important dams and 2,100km of river-bed dikes.
- ☐ Increase water supply and sewerage networks for 13m people.

"We estimate that $100bn will need to be invested – just in the next six years," Mr Conesa says.

Following the severe spending cuts of the 1980s, the Salinas administration sought to revive investment in infrastructure in partnership with the private sector. In addition to the privatisation of Telefonos de Mexico (Telmex) in 1990, the government has extended private sector participation to road building, inter-modal transport terminals, railway maintenance, water treatment plants, ports and power generation projects.

Mr Ernesto Zedillo, the president-elect, promises to increase investment in public infrastructure by 25 per cent during his first year of office, and to set up an investment fund for infrastructure, financed in part from the income of privatisations. The fund is expected to function as a guarantor for projects, enabling the private sector to gain access to cheaper, long-term *project finance*.

The dearth of affordable credit to match the long recovery costs typical of infrastructure projects has proved a big disincentive to greater private sector participation. At present, most Mexican banks draw the line at 10-year loans, while access to the international financial markets has been restricted due to the lack of an investment grade for Mexican debt.

An investment of $100bn in infrastructure will needed in the next six years, say planners

The financial constraints has been felt most acutely by the private sector in the construction of toll roads, of which more than 5,800km have been built since 1989 at a cost of $10bn. Expensive credit, cost over-runs, and lower than expected traffic, caused in part by high tolls, has depressed internal rate of return, with many toll road trusts having to reschedule debt payments.

Nevertheless, Grupo ICA, which has built 12 toll roads, remains optimistic about the future. The government has extended the life of concessions to make up for lower-than-expected traffic, while some loans have been restructured.

"We are also learning to cost projects more accurately and we are becoming more sophisticated in tapping the capital markets," Mr Guerrero concedes.

Mexican businessmen expect the Zedillo administration will extend the system of private sector concessions to rail transport, even if the state retains ownership of track. US and Canadian companies are reported *to be* interested in joint-venture cargo operations if and when the liberalisation comes about.

At present, less than two per cent of the government's investment budget is devoted to this neglected mode of transport, and as a result, and the state-owned network carries less than 13 per cent of overland cargo.

The World Bank says productivity at FNM remains less than two-thirds of comparable US railway companies, despite the retrenchment of 30,000 of its 80,000 employees since 1992. Current terminal organisation, scheduling and dispatch operations are so inadequate that less than 20 per cent of shipment time is spent on route.

The privatisation of municipal services, such as the provision of drinking water and the disposal of solid waste, are also opening new business opportunities. Aguascalientes, Cancun, Ciudad Juarez, among other cities, have given the private sector concessions to manage their water supplies. GDM and Grupo ICA are also building Mexico's first private-sector hydroelectric power plant on the River Fuerte, on the border between the states of Sinaloa and Sonora. The joint-venture raised $250m in 12-year Eurobonds to finance the project, backed by lease-hold guarantees issued by the Mexican Electricity Board.

ICA, and its partners, are among those seeking to build a private electricity plant in the city of Merida. After several false-starts, the government is expected to give the go-ahead for construction early next year.

Leslie Crawford

Multinational profile: Cementos Mexicanos

Reducing costs, boosting profits

Over the past three years, Cementos *Mexicanos has gone from* being a local cement producer to becoming arguably Mexico's leading multinational company. In 1992, it was responsible for Mexico's largest ever international acquisition – the $1.85bn purchase in 1992 of Spain's Sanson and Valenciana – and since then has acquired other significant cement operations in South America and the US, and has raised more debt in the international markets than any other *Mexican business*.

Earlier last month Cemex formally accepted its multinational status by reorganising its Mexican operations. In what may be the first move of its kind by a Mexican company, Cemex established a separate Mexico division with its own chief executive and staff, which, like Cemex divisions in other parts of the world, will report to company chairman Lorenzo Zambrano.

"This is third stage in the development of the modern Cemex" said Hector Medina, who will manage Cemex Mexico. The first two stages of development · acquiring dominant market share in Mexico and buying up cement companies worldwide – have given Cemex total worldwide cement capacity of over 40m tonnes, and a market value of about $8bn.

The new organisation will lead to some cost-cutting as Cemex merges its three regional Mexican divisions into one headed by Mr Medina. With Mr Medina taking day-to-day responsibility for the Mexican operations, the reorganisation will free Mr Zambrano and Mr Gustavo Cabellero, the finance director, to concentrate on the overall global strategy of the group.

Mr Medina is confident that Cemex Mexico will remain the centre of the group's activities in coming years. Mexico suffers from an acute shortage of housing and roads, power stations and other cement-intensive projects, and demand for cement will grow by at least twice the annual increase in GDP over the next five years.

Cemex already has about 63 per cent of Mexico's cement market, and plans to invest in new production mainly to maintain this share, than to increase it substantially. Such a strategy appears motivated partly by the company's desire to avoid over-capacity and spark off a price war with Apasco, its rival which is majority owned by Holderbank, the Swiss cement group.

Cemex's plans of maintaining its dominant market share in Mexico may be threatened by Grupo Carso, Mexico's large conglomerate controlled by Mr Carlos Slim.

Carso bought a small regional cement company plant earlier this year, leading to speculation that it might seek to take on Cemex, either by building new cement plants or by acquiring existing ones.

Mr Medina dismisses the threat from Mr Slim: "The industry is in a very competitive position," he says. "He would need a lot of money – of course, he *has* it. But there are other investments more profitable and less risky. Would a logical investor invest his money in such a well-positioned industry? I doubt it."

If Cemex can avoid a price war or greater competition in its home market, then it will be in a strong position to expand internationally. The company's Mexican operations generate about $900m a year in cash, of which about $700m are taken up by debt-service and Mexican investment obligations, according to Mr Caballero.

Mr Caballero says Cemex plans to use the spare cash to invest in high growth areas outside Mexico, especially in Latin America, but not exclusively so. As part of that strategy the company this year agreed to buy Vencemos, Venezuela's largest cement company, Cementos Bayano, Panama's largest cement company, and more cement plans in Texas. Cemex paid $1.85bn for Sanson and Valenciana, giving it about 30 per cent of the Spanish cement market.

Cemex believes that the world cement industry is consolidating around a few global giants, and that international expansion is the only way it can survive in the long term. But it also argues that it has been able to reduce substantially costs and increase profits of the companies it has taken over.

With Cemex executives having worked on four acquisitions in as many years, they are able to see were costs can be cut, says Mr Caballero.

Damian Fraser

National land-titling programme

Puzzle for farmers

Deep in some of Mexico's most isolated and poorest regions a strange sight can often be observed: a handful of well-qualified government technicians, equipped with laptop computers, portable satellite dishes, plus prisms on a tripod, can be seen calculating the precise geographical location of a small piece of land of no obvious economic value. Surrounding them will be a group of destitute farmers, trying to work out what they are doing.

The topographers – some 14,200 in total – are working on the world's most ambitious land-titling programme. Employed by the government statistics, information and geography institute, they hope to have calculated within the next few years the exact geographical co-ordinates of the boundaries of some 4.6m individual plots of land – about 102m hectares – and 4.3m houses, within the nation's 30,000 *ejidos* or communal farms.

The programme, known as Procede, began after the government changed Article 27 of the constitution over two years ago, giving for the first time members of *ejidos* – known as *ejidatarios* – the legal right under certain conditions to sell their plots, rent them out, form associations with agro-businesses, or borrow money using their plots as collateral. The *ejidos* cover about half of Mexico's national territory, and the 15m *ejidotarios* and their families more than a sixth of the population.

The *ejidatarios* need land titles if the *constitutional changes are to have the* desired impact, since at present it is often unclear who owns what land. Without legally recognised land titles, they are not able to sell or rent their land easily, or from associations, or borrow money, as permitted by the law.

Once Procede is fully implemented, *ejidatarios* should have for the first time secure and transferable property rights to their land and homes. While not enough to transform the ailing fortunes of Mexico's agricultural sector, the establishment of property rights is expected to encourage investment in the countryside – uncertainty over ownership rights has make farmers cautious about spending a lot of money improving their land – and promote social peace, by reducing conflicts over land ownership.

"Procede is the instrument to make the changes to Article 27 effective," says Mr Carlos Jarque, the head of the government statistics institute who is overseeing the technical implementation of the programme. "Without the titling, the constitutional changes will not have the intended impact of improving the welfare of *ejidatarios*."

Procede may, in addition, reduce the power of local political bosses by making it difficult *for them to take* away land from farmers with whom they are in conflict. In the past, local leaders have used the lack of clear property rights, and the government's legal powers to redistribute land, as a way of keeping control of farmers in the countryside.

The government technicians move into an *ejido* to measure land co-ordinates only when the members decide in a assembly to incorporate into Procede, and have agreed between themselves – in front of a special government magistrate – on where rough boundaries between plots lie.

If there is no such agreement, agrarian courts are called into to settle the disputes. Since the courts may take years to resolve a case, which delays the hand-out of titles for everyone, there is a powerful incentive for the *ejidatarios* to reach agreement – and, so far, most have.

Under one method of measurement, the topologists calculate the co-ordinates of the outer boundary of the *ejido* by standing on several points of it and sending signals to an overhead satellite, and taking from the satellite a reading of the boundary's geographical co-ordinates.

A less accurate but faster method involves taking aerial photograph of *ejidos*, and then asking *ejido* members to mark the boundaries between their own plots, homes, and communal lands. A scanner reads the marked lines between plots, and records co-ordinates on a *computer disk*.

Data gathered from both schemes is put into a digital computerised national agrarian register which will eventually include land boundaries of all 30,000 *ejidos*, plus 4.6m individual plots and 4.3m homes within them. Individual titles for plots and homes are printed from the digital agrarian registry, which has information not just on the location of the *ejidos*, but what it is grown there.

Mr Jarque says that the programme is unprecedented in its scope and precision, with no other country having anything as big as this computerised registration project – "it's a pioneering programme for its size, complexity, and for the use of advanced technology," he says.

Nevertheless, Procede has been criticised by some for being unnecessarily complex and long-winded, and for taking too long to complete. So far, about 30 per cent of *ejidos* have had the boundaries of their plots measured, and members of 15 per cent of *ejidos* have received their titles – less than the government had hoped for this stage. The programme may not be completed until near the end of the decade.

Damian Fraser

US/Mexican retailing alliances

More glitz for shoppers

The North American Free Trade Agreement has spawned half a dozen cross-border alliances between Mexican and US retailers which are betting on the growing purchasing power of 90m Mexicans.

- ☐ Cifra, Mexico's leading retailer, has formed a jointly owned company with Wal-Mart of the US to establish supermarkets and discount stores.
- ☐ A second joint-venture has been signed between Cifra, Wal-Mart and Dillard Department Stores, which specialises in clothing and wearing-apparel.
- ☐ Comercial Mexicana, the second-largest retailer, has teamed up with Price Club of the US to rival the Cifra-Wal-Mart alliance.
- ☐ Grupo Gigante, Mexico's third-lergest retailer, has joined up with Carrefour of France in one joint-venture and with Fleming Companies in another.
- ☐ El Puerto de Liverpool, the Mexican department stores, are developing a combination store chain with KMart Corporation.

The alliances have not only added more glitz to the Mexican shopping experience – they are injecting more competition into the retailing sector and reducing margins, prompting companies to pare down costs and look beyond the Guadalajara-Mexico City-Monterrey axis for new business opportunities.

Expansion of the *new* joint-ventures is taking place under less than perfect conditions, as the slow-down in economic growth and high interest rates have put a break on the consumer credit boom of the early 1990s. As a result, growth in consumer demand has been lower than expected. Cifra says its sales, (excluding Wal-mart's share), which totalled $4.58bn in 1993, have risen by only 4 *per cent so far this year.*

Cifra executives say they began preparing for the tougher competitive environment five years ago – "we knew the large US chains would come to Mexico once Nafta was signed, so we took a hard look at how they run their business. To survive, we had to become as competitive and efficient as the largest US retailers."

The *first step was* to cut operating and administrative costs. In his annual report, Mr Henry Davis, Cifra's president, outlines some of the cutbacks: "We no longer supply our executives with cars . . . subscriptions to magazines have been

Continued on next page

Assassination links are officially denied

Drug problem grows

After José Francisco Ruiz Massieu, the number two official in the ruling party, was gunned down six weeks ago, Mexicans began to talk about the "Colombianisation" of the political system, reports Damian Fraser.

Drug barons and their allies in the ruling party, it was claimed, were seeking to block political change and police operations against them by killing reform-minded public figures. Cardinal Juan Jesus Posadas of Guadalajara had been a victim last year; presidential candidate Luis Donaldo Colosio in March; and now Mr Ruiz Massieu, went the conspiracy theory.

"Who's next?" asked Carlos Fuentes, the novelist, in an article in La Jornada. Columnists pointed to the spate of political killings in Colombia in the late 1980s – that preceded moves by Colombia to accept extradition of traffickers to the US – and suggested that Mexico's co-operation with the US over drug enforcement was provoking e similar reaction.

"President Salinas broke the truce between drug barons and the government. They are now fighting back," says Federico Reyes Heroles, editor of Este Pais, a magazine dedicated to public opinion. Mr Eduardo Valle, a former senior aide to the attorney-general, until earlier this year, and now in exile in the US, publicly claimed that drug traffickers and senior members of the ruling party were in cahoots, and were behind the Colosio killing.

Such a view, although widely held, is rejected by the attorney-general's office, which says that "no connection" has been found between the killings. The official line is that drug traffickers mistook Cardinal Posadas for the head of a rival gang and killed him by accident; that Mr Colosio was assassinated by a lone, deranged gunman; and that drug traffickers at most played a secondary role in planning Mr Ruiz Massieu's murder.

Backing up the official version is the lack of clear motive for recent killings: there is no evidence that drug traffickers have gained from the murders. Nor has any evidence emerged that contradicts the government explanation for the three deaths, or links them in any direct way. Nevertheless, the conspiracy theories thrive. Many find it difficult to believe that a Roman Catholic Cardinal could be confused with a 28-year-old drug dealer; that it was by chance that Mr Colosio was murdered in Tijuana, home to the powerful cartel of that name; and that is a co-incidence that one of the alleged conspirators in the Ruiz Massien killing, is thought to be related to a top lieutenant of the Gulf cartel.

While the amateur execution of the Ruiz Massieu assassination does not bear the hallmarks of a drug killing, some have suggested the Gulf cartel killed Mr Ruiz Massieu to take revenge on his brother, Mario Ruiz Massieu, the deputy attorney-general who has cracked down on the Gulf cartel.

Others believe thet Ruiz Massieu had fallen out with members of the Gulf cartel when governor of Guerrero, who had him killed before his expected appointment to the interior ministry. Still others claim that Mr Ruiz Massieu was killed by old-styled politicians, who feared his supposed reformist instincts.

North American Free Trade Agreement

Trade balance still largely unchanged

Nearly a year after the North American Free Trade Agreement first came into effect, there is no giant sucking sound of jobs and factories moving from the US to Mexico. Overall, trade flows between US and Mexico have increased substantially, but not to any one country's benefit; the two way balance of trade has remained largely unchanged.

Nor has integration of North America's economies moved as fast as many once predicted. Regulations governing trade and investment between Mexico and the US have, if anything, become more complex since the treaty came into effect. US companies have complained this year about new Mexican Customs requirements, delays and red-tape at the border, plus stricter enforcement of sanitary and labeling standards.

At the same time, though Nafta was intended to reduce uncertainty about Mexico's political and economic future by indefinitely committing it to pro-market economic policies, foreign investors remain nervous about the country's economic and political prospects.

Partly as a result of the peasant rebellion in Chiapas over the New Year, and the March assassination of Luis Donaldo Colosio, the then-leading presidential candidate, Mexico's interest rates in real terms have risen since the treaty came into effect and the stockmarket has fallen, in dollar terms.

Heralded by some of its supporters as a mechanism that would transform Mexico's economy, and attacked by critics in the US as an agreement that would destroy US jobs, Nafta has so far bad a modest economic impact.

While growth of two-way trade and investment has accelerated, and the US and Canada moved to support Mexico's currency after Mr Colosio's assassination, the treaty has played a much smaller part in shaping economic and political events on both sides of the border this year, than, for example, the rise in US interest rates.

"Trade agreements do not turn trade relationships upside down," says Mr Jeffrey Schott, a fellow at the Institute for International Economics in Washington, DC. "There are a lot of people whose analysis of the treaty was 'out of the ball park,' on both the positive and negative side."

While Nafta's supporters and opponents accept that Nafta has not yet lived up to some of the wilder expectations held for it, they argue that eight months is too short a time to judge its overall impact. The strongest effects – in terms of higher economic growth for Mexico, or arguably loss of US jobs – will, it is contended, be felt over the long-term as the bulk of tariff and non-tariff barriers between the two countries, and with Canada, are removed.

In Mexico, the government has downplayed Nafta throughout most of the year, wary perhaps that the agreement had been given too much attention in previous years, and partly on the defensive after Zapatista rebels in Chiepas attacked it as a "death sentence" for the country's Indian population. Indeed, tha view – never very widely held – that the treaty would rapidly usher in a period of stability and prosperity has been dropped.

"It was always a dubious notion that Nafta would make Mexico's political institutions more solid and the country more stable," said one leading ruling party figure earlier this year earlier. "It merely establishes what are the boundaries of feasible economic policies."

Asked to point to benefits of Nafta this year, officials and many businessmen believe that the agreement has reduced the economic impact of the political shocks this year. They reckon Nafta gave investors confidence that economic policy will remain unchanged, irrespective of political developments. Mr Ernesto Zedillo, tha president-elect, and the two main opposition candidates in the August election, all broadly supported the accord.

"None of the political events this year have changed the fundamentals for us," says Urlich Sander, head of corporate communication at Vitro, one of Mexico's largest industrial companies. "We are still on the border of the largest market in the world, and because of Nafta we are still having to prepare ourselves for full competition."

Such an argument appears partly supported by economic figures. Despite the political uncertainty, direct investment into Mexico has increased rapidly this year. Mexico's non-oil exports to the US have grown by over 20 per cent.

While Nafta contributed to such flows, most economists caution that it was of an influence than the raw figures indicate. Trade and investment between Mexico and the US was growing rapidly before Nafta was in place, reflecting a long-term trend towards economic integration, independent of the agreement. With Mexico's economy sluggish, and tha US's expanding strongly, Mexico's exports would have grown strongly even without an accord.

In some cases, Nafta may have made trade more difficult. Many companies based in Mexico and the US have found it difficult to work what out – if any – benefits they are due under the agreement, and how to comply with new complex regional content rules set out by the treaty. Mexico's decision to enforce trade regulations such as Spanish-language labelling and sanitary standards more tightly has led to delays at the US-Mexico border, and complaints from exporters and importers.

Just as the business climate has been slow to change, critics contend that there has been no noticeable improvement in Mexico's enforcement of labour and environmental laws since Nafta came into effect. Indeed, Mr José Antonio Ortega, head of Radian Corporation, a large environmental consulting firm in Mexico City, says enforcement has relaxed this year, as the Mexican government no longer has had to worry about US public opinion.

The three secretariats set up under Nafta to enforce the trade, labour and environment agreements are still not fully operational, with some key positions to be filled.

So far, US labour unions have filed two complaints alleging that Mexico is not enforcing labour laws, but as was clear when the side agreements were made public, the process of reviewing these complaints has been long-winded and none, up to now, have been successful.

Damian Fraser

A young Indian girl and baby watch about 300 soldiers of the Zapatista Army for National Liberation (EZLN) parading in the Lacandon Jungle of the south-eastern Mexican state of Chiapas. The Zapatistas in April commemorated the 75th anniversary of the murder of their revolutionary hero, Emiliano Zapata. *Picture by Douglas Engle/AP*

KEY FACTS ON MEXICO

Area and population
Area: 1.97m sq kms (758,066 sq miles); cultivatable area, 19 per cent; area suitable for livestock 48 per cent.
Population, mid-year total population, 1992 estimate: 89.53m; density per sq km: 41. Population census results, March 1990: 81.24m (males, 39.89m; females, 41.35m).

Languages/ethnic groups
Spanish is the official language. Some American Indian languages include Náhuatl, Maya and Zapoteco. Ethnic groups, (percentage of total) are: Mestizo, 60 per cent; Indian, 30 per cent; White, 9 per cent. Religious groups: Roman Catholic, 89 per cent; Protestant, 6 per cent.

Currency
On January 1, 1993, the peso was trimmed by three zeros, one new peso being worth 1,000 of the old. For details on inflation trends, see page three of this survey.

Business hours
Government and business, (Mon-Fri): 9am – 3pm, 5pm – 7pm, with considerable regional variations, according to local custom.
Banking, (Mon-Fri): 9am - 1.30pm; certain banking servioces are available in large cities from 9am to 5pm. Shopping hours: (Mon, Tue, Thu, Fri.) – 10am to 7pm; Wed., Sat. 11am - 8pm.

Climate
The best season for a business visit is from late January to May, but for pleasure between October and early April, when it seldom rains in most areas of the country. The climate varies with altitude: tropical southern region and coastlands are often hot and wet, while highlands of the central plateau are temperate. The temperature in Mexico City ranges from 5 to 25 degrees celsius, with occasional sharp frosts in winter, (December-February).

Time zones
Standard time is the same as US Central Standard Time; six hours behind GMT in Mexico City. In Baja California Sur, Nayarit, Sinaloa, Sonora, time is seven hours behind GMT. In Baja California Norte, GMT minus eight hours. Clocks are put forward an hour in summer.

National holidays
Sunday is a statutory holiday. Saturday is also observed as a holiday, except by the shops. National holidays include New Year, Jan. 1; Constitution Day, Feb. 5; Birthday of Benito Juárez, March 21; Maunday Thursday, Good Friday and Easter Sunday; Labour Day, May 1; Battle of Puebla, May 5; President's Annual Message, Sept.1; Independence Day, Sept 16; Discovery of America, Oct 12; Day of the Revolution, Nov.20; Christmas Day, Dec.25.

Benefits of US/Mexican partnerships in retailing

Continued from previous page:

restricted, and the executive dining rooms have been closed. All breakfast, luncheon and dinner meetings have been replaced with working sessions at our offices."

In addition, Cifra invested $25m in computer equipment and systems last year. Tha new, no-frills company ethos allowed Cifra to cut operating and administrative costs from 22 per cent to 15 per cent of sales, a figure which company executives say is comparable to the best-run US chains.

US companies have sought Mexican partners because of the latter's greater knowledge of the local consumer market and suppliers.

In return, the US chains are contributing their greater experience in computerised inventory control, wholesale distribution and their vast network of US suppliers.

"We are greatly benefiting from our joint venture with Wal-Mart, a company recognised worldwide as a leader in retail applications of information technology," saye Mr Davis of Cifra.

"The joint-venture has allowed us to install well-proven eystems and programmes which Wal-Mart already has in operation. We are, therefore, reducing our costs and eliminating the risk of failure."

Cifra executives say they are also learning from Wal-Mart how to manage the growth of their operations. They have plans to almost double the number of stores in some 90 cities by 1997. This will require learning about the wholesale side of the business and the establishment of distribution centres equiped with computerised "just-in-time" technology to reduce inventories and transport costs.

Leslie Crawford

MANAGEMENT

An efficiency that runs in the blood

Alan Pike visits Europe's biggest transfusion centre, where lives depend on a high-quality service

Public services management

For Belinda Phipps, the term lifeblood is more than a familiar metaphor used throughout business to describe the customers, capital and staff that are essential to success. Lifeblood really has been her business for the last three years.

As managing director of South Thames Blood Transfusion Service – she is now a consultant to the London Ambulance Service – lives have depended on the quality of service she provides.

Since Phipps and a new management team took over three years ago at the once poorly-regarded South Thames, efficiency has been lifted to levels that are widely admired elsewhere in the National Health Service.

The receptinn area of the service's headquarters at Tooting, south London, gives visitors an accurate introduction to the organisation. Good lighting and plants make the best of an unexciting public-sector environment and generate an impression of calm and efficiency; yet all is done on a modest scale, avoiding any suggestion of excess or waste of money.

On the wall, visible to staff and visitors, is the service's purpose statement: "To help save and improve the lives of patients, with services and products provided through the generosity of donors." While this might appear self-evident, it represents the nutcome of a significant exercise in mind-clearing and is central to the recent efficiency improvements.

When Phipps arrived from Glaxo, where she had worked for 10 years, to take np her first public-sector post she discovered staff were confused over whether the service's customers were the dooors who provided the hlood or the patients who received it. The purpose statement puts the patient at the centre of the exercise – the service's core joh is to ensure that hospitals can always be supplied with whatever blood products are required.

Britain relies entirely on volunteer blood donors, so it is essential for their confidence and co-operation to be maintained. But the practice of regarding donors as customers had led to some transfusion services, including South Thames when Phipps arrived, allowing volunteers to choose when to donate blood regardless of whether it was needed – even though, as some blood products have a short shelf life, it was sometimes never used.

Belinda Phipps: job is a combination of running a charity and a factory

Phipps ordered a stop to this, setting nut to ensure that amnunts and types of blood collected at transfusion sessions were brought more closely into line with the requirements of hospitals.

She tackled the potential problem of offending donors hy approaching them individually and offering mnre infnrmation than they had been given in the past. The exercise has resulted in a reduction in wastage from red cells ontdating to around 1 per cent, compared with a national average of 5-6 per cent.

Phipps discovered that late afternoon and early evening were the most popular times for donor sessions; yet nine to five tended to be the working hours in transfusion centres, meaning much hlood was not processed until a day after collection. Working arrangements of the South Thames staff were renegotiated and blnnd is nnw processed at night as well as day.

Phipps, the first head of an NHS blood transfusion service tn come from a non-medical background, describes the job as a combination of running a charity and a factory. This is perhaps an understatement – in addition to handling volunteers and processing their blood efficiently, the service must operate a just-in-time delivery service 365 days a year.

Peter Garwood, the service's scientific director, admits that wben Phipps arrived morale was low. "She tackled this hy consulting, involving and empowering all the staff with a campaign entitled '560 brains are better than nne'. Now we have an organisation where change is accepted rather than feared."

The future may, however, hold more change than the innnvative managers at Sonth Thames will welcome. Under a government restructuring of hlood transfusion arrangements, a new National Blood Authority has been established and the number of transfusion centres around the country is to be reduced. There are concerns in the transfusion service that this may lead to less autonomy for local managements to introduce the sort of changes that have lifted efficiency at South Thames.

How to hire an incompetent

It's harder than you think. John Wareham offers tips

Many people enjoy hiring incompetent underlings. After all, an incompetent subordinate can make a near-incompetent boss seem, by comparison, a near-genius. And, uncertain of tenure, the incompetent is likely to take special precautions to please the boss.

He or she will want to do exactly as told in any circumstance. The incompetent will usually be more than delighted to follow fcolish instructions and, when problems arise, to screen the boss from all fallout. A good living is thus to be commanded by the canny incompetent's well-honed fawning and grovelling skills.

Given that an incompetent underling can offer many satisfactions to the boss, how should a recruiter go about finding one? The knack of appointing such individuals is a talent shared by many senior executives. But it is largely unconscious – although the would-be recruiter constantly hires incompetents, he is likely to be unaware of the precise techniques explnited.

Indeed, unless properly instructed, the recruiter may actually wind up accidentally recruiting a competent subordinate. This is likely to cause untnld beartache, for sucb a snbordinate is likely to prove a troublemaker for the boss, always querying instructions, refusing to carry nut orders that do not seem to make sense, maybe even indulging in "whistle blowing".

So how can the intelligent executive assure himself that the person be hires will be a genuine incompetent, and not one of those emotionally mature, stable, savvy achievers who always turn out to be troublemakers? The answer lies in heeding the fnllowing eight commandments.

- Never condnct a real search for qnalified candidates. Instead, restrict yourself to hiring other people's *rejects* and make all your appointments from the unsolicited CVs that cross your desk. These, for the most part, are going to be directed to you hy out-placement firms that specialise in finding new emplnyment fnr people wbnse present employers do not want them around anymore. This is a rich pool which, if carefully fished, can be relied upon to produce nut-and-out incompetents over and over again.
- Place great emphasis on appearance and presentation. Take to your hosom the advice of Oscar Wilde that: "It is only shallow people who do not judge by first appearances."

Favour the kind of candidate who most fits your own notion of what an executive ought to lcok like. Pay close attention to the candidate's clothes. Work upon the assumption that a Brooks Brothers suit denotes stahility, and tbat silver hair bespeaks wisdom.

Never hire an executive who wears unseemly hose, or who sports scuffed shoes. Hire the best-looking candidate, the individual who bears the strongest physical resemblance to your own attractive personage. By all means feel free to hire your own offspring and siblings.

- Talk to candidates but never interview them. *It is naturally very* important to impress upon those in your organisation that yon are serious about hiring "good people". Thus, yon will probably want to spend a lot of time talking to candidates about your job, sharing your values and philosophies.

Tell them at length about your company and yourself, your upbringing, your view on everything. If the would-be recruit's attention flags at any point, then throw the ingrate out, for the candidate who cannot at least seem to be paying attention for hours on end to incoherent ramblings from a prospective boss is unlikely to be a proper incompetent.

- Don't bother to ask for too much material on the candidate. Simply assume that it is all on the CV. Or adopt an *avant garde* attitude and work to the assumption that you must not invade anyone's privacy hy inquiring about any possible "employment gaps".
- Hire from your own social circle. Explain to your colleagues that "the chemistry has to be right" before you will hire. This way you can restrict your hiring to people who *not only* look and dress like you, hut who also share you opinions on pretty well everything. Put a great deal of emphasis on *"name" colleges and clubs.*

By so doing, you will more or less exclnde the kind of independent-minded person likely to prove a troublemaker. With any luck at all, you will wind up recrniting a flrat-rate non-threatening incompetent with whom you can harmoniously co-exist.

- Reject generalists in favour of technicians. A wonderful way to by-pass competent people is to make technical – as opposed to emotional – qualification your key selection criterion. This is a much-favoured technique; hecause spotting and quantifying technical education and exposure is infinitely easier than spotting and hiring the emotional qualities that go to make a truly competent person.
- Place great reliance on references from past employers. A good way to hire an incompetent is to solicit hland comments – about the only comments offered these days – from previous employers. It is vital to take such comments at face value, and to ignore or overlook cagey endorsements. So, when someone says: "In my opinion, you'll be fortunate to get this candidate to work for you," tune out the sub-text and delve no further.
- *Never get a psychological* evaluation on the candidate. The vital thing in hiring incompetents is for everyone to believe or pretend to believe that the incompetent is a great prize. Unfortunately, a psychological evaluation may let the cat out of the bag.

So, when the company chairman – having suddenly noticed what can no longer be hidden; that your staff never seem to get anything done – suggests that it might be smart to have your future candidates screened by a professional before any hiring, proclaim loud and long that you simply do not believe in all that mumbo-jumbo. And, never let yourself be evaluated. That could be the end of everything.

The writer is founder and chief executive of Wareham Associates, a New York-based management consulting firm and the author of Secrets of a Corporate Headhunter.

PEOPLE

Morton and Foley aim to build up Baris

Bob Mortnn and John Foley have emerged at the controls of Baris Holdings, the troubled loss-making hullding materials group which specialises in fire protection and dry lining.

Morton, a Midlands financier with a taste for buying into sick companies and nursing them back to health, bas become non-executive chairman of the Nottinghamshire group and called in Foley to be chief executive.

Foley had been biding his time for a new job since September when he came to an amiahle parting of the ways with Triplex Lloyd, the West Midlands engineer.

Morton fireproofed Baris's ailing finances by buying into a rights issue, persuading National Westminster Bank to convert debt into equity and, with Foley, trawling round tha London institutions to persuade them to support a share placing.

Foley's first joh is to overcome the £3.1m pretax loss in the year to last February. His second is expansion. With 300 amployees, Baris is down to the core business after unhappy excursions in Germany, Spain and a lengthy dispute with Wimpey about a con-

tract for the Little Britain development in the City of London. "It was quite a good business," says Foley.

Robert Smith, the former chairman and chief executive, remains on the board as an executive director. *Paul Cheeseright*

Finance moves

Renato Riverso (abova), former chairman and managing director of IBM Europe, is joining the board nf Baring Investment Banking, the newly formed investment banking arm nf London's oldest mercbant bank group.

Riverso, 61, who will retain his role as chairman of Alitalia, the Italian flag-carrier, is the first non-executive director to join the board nf Baring Investment Banking, formed earlier this year when Barings combined the management of its Baring Brothers & Co merchant banking business with Baring Securities. Riverso has also been appointed chairman of Baring Brothers (Italia).

Riverso is the latest hig name to be recruited by Barings. Earlier this year Jean Peyrelevade, president of Credit Lyonnais, and Yoshihiko Miyauchi, president of Japan's largest leasing company Orix, jnined the board of Barings plc, the parent of the group's activities.

■ **John Franklin**, fnrmerly corporate finance director of Morgan Grenfell, has been appointed a director of FOX-PITT, KELTON in its corporate finance division.

■ **Steve Baker** has been appointed head of MIDLAND Bank Fund Managers (Jersey).

■ **Jim Cantwell and David Cockburn** have been appointed directors of investment banking in London for SALOMON BROTHERS; they move from Morgan Stanley's investment banking practice and from Lehman Brothers, respectively.

■ **William Black** has been appointed a director of CAPITAL & COUNTIES.

■ **Michael Goggin** has been appointed md of TULLETT & TOKYO Forex.

■ **Mike Cosgrave and Ian Forrest** have been appointed directors of SWISS BANK CORPORATION in London.

■ **Peter Ledbetter**, a director of IRISH PERMANENT, has been appointed md of its subsidiary Guinness & Mahon.

Metrotect: new finance director

Metrntect Industriea, the newly-floated company which makes protective coatings for pipelines, is changing its finance directnr less than a fortnight after it warned that its profits would be sharply lower in the current year.

Guy Thomas, 31, a senior audit manager with Ernst & Young, the company's auditors, joins the company as finance director oo January 1. He replaces Jim Ball who will remain on the hoard as company secretary.

Metrotect, whicb was floated on the stock market at 108p a share in the summer of 1993, has failed to live up to expectations. In the year before its flotation, it more than trebled its profits and doubled its turnnver to £22.6m. But in its first full year as a public company its profits rose by 3.5 per cent to £2.36m and turnover fell slightly.

Earliar this month Metrotect reported a jump in interim pretax profits but warned that its full year profits were likely to be below last year's figure. Yesterday, Metrotect said it is now carrying out a review of all contracts being undertaken or anticipated and had instructed Ernst & Young to review the company's budgeting and management information system. This review will include the budget for the year ending Marcb 31 1995.

Metrotect, which was created from a 1990 management buy-out from BPB Industries, said that it is clear that the result for the sacond six months is likely to be no better than the result for the first six months.

As a result of this statement analysts have downgraded their forecasts from £1.9m to £1.6m and the shares fell hy 9p to 60p yesterday. *William Hall*

Improved access at Simon Engineering

Simon Engineering has brought in two outside executives, John Mottram and Frank Cunliffe, to run Simon Access (UK), a new company which integrates all its powered access activities in the UK.

Mottram, most recently deputy md at Hughes Rediffusion Simulation, becomes managing director of Simon Access (UK). Cunliffe, previously the engineering director at Massey Ferguson Tractors, is appointed to the new post of operations director.

The new company combines the former Simon Gloster Saro, Simon-Dndlay and Simon Access Sales and Service, and will begin trading on January 1. It follows the restructuring of the Simon Access UK manufacturing operations into one plant at Gloucester.

The access business is one of three on which Simon Engineering is concentrating, as part of its restructuring. The managing director of Simon Access is Ron Wheeler, who took over from John Barker early this year. *Andrew Baxter*

■ Allen Halliwell, 58, the former technical director of Porvair, one of the world's leading prodncers of microporous materials, is retiring after 25 years with the group.

Halliwall was one of the three directors who helped organise the management huy-out from United Technologies in 1982. The other two are Dong Berwick, a former finance director, who retired nearly ten years ago, and John Morgan, 55, the chairman.

Halliwell, who steps down at the end of November, is currently managing director of the group's Middlesex-based Porvair Filtronics, a medical diagnostics subsidiary and the smallest of Porvair's husinesses. Ken Symonds, Porvair's finance director, said that the group was sad to lose Halliwell and wished him a long and happy retirement. However, Symonds stressed that his departure would not damage Porvair's technological lead in microporous materials. Porvair spends 5 per cent of its turnover on research and development and has 40 technologists on its 370 staff.

ARTS

Television/Christopher Dunkley

Nothing succeeds like excess

You have formed an independent production company with the intention of breaking into television. Should you *go for* costume drama? Serious investigative journalism? Opera? Certainly not, they are all expensive and difficult. What you need is a new age inter-active programme, presented in studio, by someone from children's programmes, preferably with very odd mannerisms, aided by a transvestite, backed by a team of researchers on telephones, concentrating on spiritual healing, lost relations, and money prizes.

One of the biggest changes *for* years in British television is currently proceeding almost unremarked, largely because it is rather difficult to define. It has been mentioned previously in this column as an increase in tabloid television, but that phrase is really too glib, and consequently misleading, because very few of the programmes in question are concerned with news in the way that the *Daily Mirror* is. The analogy does *hold up if by "tabloid" you* imply such obsolete publications as *Reveille, Weekend* and *Tit Bits* which were devoted chiefly to providing entertainment via matters of fact.

One of the difficulties is that we are not simply seeing one easily defined type of programme replacing another; it is not like detective series taking over from Westerns. Rather it is a question of one compendium of attitudes, approaches and subjects declining while another set rapidly rises. Variety – in the *sense of programmes* which incorporate singing, dancing, conjuring and so on – is not dead, but its long term decline has accelerated. The chat show is not dead – *The Danny Baker Show* with its familiar rock stars, soccer personalities and musical interludes may look like something from the 1970s, yet BBC1 has only just launched it – but it, too, is in long-term decline. "Light entertainment", in virtually all the forms originally *borrowed by television* from other places, is declining.

Taking its place is material which in some cases would once have been regarded as journalism but which is beginning to evolve into something else: book or travel programmes are now presented by comedians (Griff Rhys Jones with *The Bookworm* on BBC1, Tony Robinson, best known as Baldrick from *Blackadder*, on tonight's *Great Journeys* on BBC2). In other cases the process is further advanced and we are *getting material* which is neither borrowed nor adapted from elsewhere but is television entertainment sui generis. *The Full Wax* is a good example, incorporating some elements of the chat show and bits of stand up comedy but relying chiefly on the sort of flight of fantasy in which Ruby Wax managed to get Felicity Kendall, of all people, to appear on Sunday as a sado-masochist madam in full patent leather regalia complete with chains, whip, and stilettos, ostensibly in her own home.

At 7.00 on BBC2 tonight is *Lifeswaps*, based on the interesting idea of getting people to change places (homes, jobs, everything) for a week but introduced by the drag artist Lily Savage, a choice which would have seemed startling only a couple of years ago but which now passes virtually without comment. The result last week was that the "presenter" in theatrical high heels, stage frock and wig was *required to totter around a Welsh* cottage and, indeed, Welsh fields.

Outrageousness in presenters is now so commonplace that it is becoming unremarkable. From the absurd accents of Lloyd Grossman and Antoine de Caunes to the hyper-activity of Kriss Akabusi and Chris Evans *(Don't Forget Your Toothbrush* returns on Saturday) it becomes increasingly clear that in television presentation these days nothing succeeds like excess.

If you are not a comedian, drag artist or hysteric (Noel Edmonds, towards the end of presenting the first *National Lottery*, with eyes bulging, screamed "And now for the countdown to the activation of the balls!") it is best to be a former presenter of children's programmes. Though it is the older section of society that is expanding, broadcasting chiefs are still *obsessed with yoof*, and *anyone* who has worked on *Blue Peter* or anything like it is in great demand. Anthea Turner, ex *Blue Peter* and now on the ITV breakfast show, was one of the outside reporters on the first lottery programme and will be co-presenting from this week, now that Edmonds has done his stuff. Andi Peters, former continuity presenter for BBC children's television, is co-presenting *Good Fortune!*, the new BBC1 series which hunts down unclaimed prizes and bequests and presents them – and often long lost acquaintances in the style of *This Is Your Life* – in front of a studio audience.

Phillip Schofield, another presenter from BBC children's television, has just begun *Schofield's Quest* on ITV on Sunday evenings. This describes itself as a "mystery solving show" though this week's edition had no solutions to the mystery of UFOs on Ilkley Moor, the mystery of a government security *garage in Streatham, or* the mystery of double-exposure negatives. Like *Good Fortune!* and so many of the tabloid shows going back to *Crimewatch*, this one is "inter-active" or, even more trendy, "pro-active", meaning that rows of researchers sit at one end of the studio talking on telephones. While *Schofield's Quest* could not be described as a "new age" series, it is perfectly happy to deal with spiritual healing, ghosts and the like, the very subjects on which ITV's new Friday evening series *Strange But True?* concentrates.

The more of them you watch, the *more these new television* programmes seem to have in common with those old weekly tabloids. Every item is designed to make the onlooker say either "Just fancy that!", or "Ahhh", or possibly "Oo-er". Everything is "people oriented", meaning that even when it could be called journalism there is a distinct lack of issues or ideas and a perpetual concentration on the minutiae of individual lives. At every turn the customer is urged to "interact" with the programmes by phone, as they once did with the papers by letter. Everything is "personality" driven, meaning that a small group of people who are *famous for being well known* keep on turning up over and over again.

The distressing thing is that, although we are still getting *Martin Chuzzlewit*, rugby internationals, and (last night) the odd and rather frightening Clint Eastwood movie *The Beguiled* – in other words, material for which television acts as a "medium" in the sense that it originates elsewhere – there is a strong feeling that *Good Fortune!, Lifeswaps* and *The Full Wax* are "real" television. After all, these are the programmes that television invents and makes for itself. Be in no doubt, we shall be seeing a *great many more like them.*

Alastair Muir

Joe Duttine and Anthony Calf in this wistful, gay comedy that switches from farce to pathos and back again throughout

Iron man wins the Turner

Antony Gormley is this year's winner of the Turner Prize. He received his £20,000 cheque at the Tate last night, a safe, unexceptional choice from a rather lack-lustre vintage. Gormlay was the favourite, an established artist whose work already sells for £30,000-plus thanks to the astute handling of his dealer, the fashionable Jay Jopling.

Gormley is the subject and the object of his own work, plastering his body to make moulds which are then converted into lead, or iron, or concrete shapes. His main contribution to the Tate's display of the short-listed artists was "Testing a World View", four contorted figures of Gormley cast in iron left lying around a large empty space. As in most contemporary art the viewer was left to decide *what it was all* about, but perhaps it evoked remnants of the body left like driftwood after a natural disaster, a *Hiroshima* or a *Pompeii*.

His most famous creation is "Field for the British Isles", over 40,000 hand-sized clay figurines *made by the people of St Helen's* and, in contrast to his Tate exhibit, displayed in packed intensity to show how man crowds out the universe.

Among the other short-listed artists was Iranian born Shirazeh Houshiary, who takes a suitably mystic view of art with "The Enclosure of Sanctity": five lead cubes, austere from the outside but containing a kaleidoscopic display of brilliant colours inside – silver foil, gold leaf, and more.

Representing another powerful contemporary tradition was Willie Doherty from Derry in Northern Ireland, whose exhibit consists of a darkened room in which two videos evoke the horrors of the Troubles, with the killer and the victim sharing a last car ride and commenting impartially on an unsure dénouement. Doherty's thesis that there is no such thing as an innocent victim may be specious, but the work conveys tha unreality of the place.

The fourth finalist, Peter Doig, was a real outsider, being a painter whose work is almost figurative. He paints buildings threatened by nature, postcard scenes attacked by disjointed colours, art that both *reassures traditionalists but gives* modarnists enough speculativa challenge to chew on.

As is customary now, this annual award *for the best British artist* under 50 became itself performance art, with hundreds of wannabe artists mobbing guests outside the Tate, many displaying their own creative ideas. Their efforts were not in vain. Stella Artois organised an alternative party for them in Piccadilly.

The Tate is happy that the Prize generates controversy, for this brings visitors to the gallery to see the work of the short-listed artists. It also gives contemporary art a lively, combative, embattled feeling, despite the fact that the winners *tend to belong* to a *small*, inward looking, coterie and the event is sponsored, by Channel Four.

Although it did not produce the *high jinks* of 1993, when the winner, Rachel Whiteread, was also forced to accept £40,000 from the K Foundation for being the worst short-listed artist, the 1994 Turner was remarkable in its own way. The prize was handed over by Charles Saatchi, the UK's biggest buyer of contemporary art by far, but, until last night, a confirmed recluse. Only for the Turner would he materialise.

Winner Antony Gormley

Antony Thorncroft

Theatre/Alastair Macaulay

'My Night with Reg' goes West

Alas, poor Reg. I knew him, Horatio, a fellow of infinite bonkability . . . knew him in the Biblical sense.

Horatio, in this case, is Guy, a confirmed bachelor who is nearing 40 and who does a lot of listening. *My Night with Reg* – one of the several success stories of 1994, now reaching the West End after its acclaimed opening in March at tha Royal Court's little Theatre Upstairs – is a wistful comedy by Kevin Elyot about six gay Englishmen during the last ten years. Reg, whom we never see and who dies before the second of the play's three scenes, was a right little goer; but only Guy begins to discover how much so, as each of the other men start to confide in him.

Not *that* Reg was unique. *Daniel* (his official lover) and John (his most smitten secret lover) used to get around no end until he entered their lives. Once he leaves their lives, they pick up the old promiscuity where they left off. All of this they tell to Guy, who is still languishing, 15 years after Oxford days, with a love for John that he never confesses.

Guy knits ("a cover for my door-sausage, actually") and has bestial 'phone sex with Brad, whom he has never met ("a lorry driver, ha says. I suspect ha's a florist, but what's it matter?") and listens and frets. Yet cruel fate has it that it is poor, neurotic, spinsterish Guy who, to our surprise, departs, of Aids, before the third scene.

My Night with Reg switches from farce to pathos and back again throughout; it is studded with lines *so funny that the audience guffaws* for the next half-minute; it rings so many bells for me that I wonder if Elyot and I have friends in common; and it has brilliant effects of suspense. William Dudley has designed a gorgeous interior set that fills the large Criterion stage. And Roger Michell's direction negotiates the trickiest moments – men in tears or starting to make love with each other – with extraordinary persuasiveness.

I wish, however, that the play did not come garlanded with press quotations that speak in superlatives and about genius; and I wish, for its sake, that it did not reach the West End towards the end of a year which has already brought a billion plays about homosexuality to British stages. (How many plays are there around to take one's aunts to, for heaven's sake?)

Most of the *Reg* characters are too close for me to caricature or for me to care much about them. Sure, I experienced a succession of various tiny pangs on their behalf. John Sessions brings immense braggadocio panache to Daniel – but about half his role consists of comic set pieces, and he delivers them as such. David Bamber overdoes the knock-kneed neurosis of Guy, a role that surely could stand more dignity; I could not believe that the other characters could bear the respect for him they claimed.

Only the pathos of John – the most physically attractive and the most spiritually doomed – is seriously affecting, and unusual. And Anthony *Calf's interpretation* of this dear unhappy beauty, utterly absorbed in his own pointless and charming life, is astonishing – a *study in golden hopelessness.*

At the Criterion Theatre, W1

Jazz/Garry Booth

John Surman's Brass Project

Saxophonist John Surman tells a story about touring in Norway. Arriving at a club in a town near the arctic circle he found his audience amounted to one solitary figure, sitting at a table in the corner. "Look," said Surman, "There is really no point in me playing. Why don't we just have drink together and a chat?". "Suits me," said the Norwegian, "I was meant to be your pianist tonight."

The story, typical of Surman's self-deprecating humour, belies the *huge following the multi-instrumentalist* has across Europe. At 50, Somerset born Surman finds himself one of a few great saxophonists *who can run nimbly with a baritone*. A protean improvisor, he also moves gracefully between soprano sax and bass clarinet within a single composition and works as much magic in an arranged orchestral setting as he does unaccompanied.

Described in the 1960s as one of the common market jazz musicians, Surman's playing and writing owes as much to European choral music and Scottish jigs as it does Chicago blues. The young Surman reached his late teens without ever hearing a note of jazz and instead sung soprano in the choir for fun. It was not until his voice broke that he picked up a clarinet and subsequently tuned into syncopation. Later he listened to folk music and made a conscious decision to be absorbed in what he describes as "a *different kind of blues*".

The result is a distinctively Euro-centric composer and improvisor whose playing has as much reso*nance for fans of* Vaughan Williams as devotees of 'Trane.

This 50th birthday concert tour captures Surman solo, in sublimely pastoral duet with pianist John Taylor and also in quartet with the addition of old friends Chris Laurance (bass) and John Marshall (drums). But the real draw on this tour is Surman's ten piece labour of love, The Brass Project. The conspicuously piano-less brass choir is robustly arranged (and directed) by John Warren. Opening at the Norwich Arts Centre of Friday the ensemble surrounded Warren with a great, rich panorama of sound. Surging trombones gave deep colour background to sheets of sound from Surman's bass clarinet; vivid trumpets pierced their chattering choruses. The momentum from *Laurence's bass was dizzying.*

Surman is an inveterate tourer but without funding it is hard to put a big band like this on the road often. Hear it while you can.

John Surman and The Brass Project at *Sheffield Crucible* (Nov 26), London Queen Elizabeth Hall (Nov 28) Nottingham Old Vic (Feb 1).

INTERNATIONAL ARTS GUIDE

■ PARIS

OPERA/BALLET
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● Kitege: opera by Rimsky-Korsakov. Director Valery Gergiev at 7.30 pm; Nov 23
● La Dame de *Pique*: opera by Tchaikovsky. Director Valery Gergiev at 7.30 pm; Nov 25, 26, 27; Dec 1,2
● La Khovantchina: opera by *Mussorgsky at 7.30 pm*; Nov 29, 30; Dec 3, 4
OPERA/BALLET
Deutsche Oper Tel: (030) 3 41 92 49
● Dialogues des Carmélites: by Poulenc, in three parts. A new production directed by Günter Krämer. Conductor Jiři Kout at 7.30 pm; Nov 23, 25, 29; Dec 1

■ BONN

OPERA/BALLET
Oper Der Stadt Tel: (228) 7281
● Il Guarany: by Antonio Gomes, in Italian with German surtitles. Conductor John Neschling, production by Werner Herzog at 8 pm; Nov 30
● La Fanciulla del West: by Puccini, in Italian with German surtitles. Conductor Eugene Kohn, production by Gian-Carlo del Monaco at 7 pm; Dec 2 (8 pm)
● La Traviata: by Verdi. A new production conducted by Eugene Kohn, with production by Jürgen Rose. In Italian with German surtitles at 8 pm; Nov 26 (7 pm) ; Dec 4 (7 pm)
● Tha Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced and Choreographed by Youri Vámos, conductor Michel Sasson at 7 pm; Nov 27;Dec 1 (8 pm), 3

■ BOLOGNA

OPERA/BALLET
Teatro Comunale Tel: (051)529999
● Il Turco in Italia: by Rossini. A *new production directed by* Evelino Pido at 8.30 pm;Nov 26,29; Dec 1,4,6

■ ROME

THEATRE
Teatro Dell' Opera Tel: (06) 481601
● L'Arlesiana: by Bizet at 7 pm; Nov 25, 26, 27

■ AMSTERDAM

GALLERIES
Rijksmuseum Tel: 020 673 21 21
● Art of Devotion 1300-1500: major winter exhibition focusing on the *spiritual function of* objects in the medieval period; from Nov 26 to Feb 26 (Not Sun)
OPERA/BALLET
Het Muziektheater Tel: (020)551 8922
● Rosa: new production of the opera by Andriessen. Directed by Peter Greenaway at 8 pm; Nov 25, 26

■ LONDON

CONCERTS
Barbican Tel: (071) 638 8891
● Mozart: Idomeneo: Sir Colin Davis conducts the London Symphony Orchestra at 7 pm; Nov 25, 27
Festival Hall Tel: (071) 926 8800
● Philharmonia Orchestra: with conductor Charles Dutoit and pianist *Peter Jablonski play Tchaikovsky* (piano concerto No. 2) and Shostakovich (symphony No.5) at 7.30 pm; Dec 6, 8
● *Royal Philharmonic Orchestra*: with conductor Vladimir Ashkenazy and pianist Shura Cherkassy play Rubenstein's piano concerto No. 4 and Tchaikovsky's *Manfred* Symphony at 7.30 pm; Dec 7
● Russia Old and New: Royal Philharmonic Orchestra with the Brighton Festival Chorus, London Choral Society and conductor Vladimir Ashkenazy perform Schnittke, Prokofiev and Rachmaninov at 7.30 pm; Dec 5
● Vienna Philharmonic Orchestra: Schubert symphony No. 8 and Brahms symphony No. 4 conducted by Carlo Maria Giulini, at 7.30 pm; *Nov 23*
Queen Elizabeth Hall Tel: (071) 928 8800
● The Fall of Icarus: Multi-media event inspired by Bruegel's, 'Landscape with Fall of Icarus'. Belgian director Frédéric Flamand collaborates with Italian artist Fabrizio Plessi and composer Michael Nyman at 7.45 pm; Dec 2,3
GALLERIES
Hayward Tel: (071) 261 0127
● Romantic Spirit in German Art 1790-1990: examines work of early Romantic painters. Includes section on German Expressionists; to Jan 6
National Gallery Tel: (071)839 3321
● Allegory: selection of paintings from the permanent collection on the theme of allegory; to Dec 4 (Not Sun)
Royal Academy Tel: (071)439 7438
● Tha Glory of Venice: a major survey of Venetian art in the 18th century; to Dec 14
OPERA/BALLET
Barbican *Tel: (071) 638 8891*
● The Kirov Opera: director Valery Gergiev brings his entire company to the UK for just one night to give the *first complete British performance of* Rimsky-Korsakov's opera, The Legend of tha Invisible City of Kitezh at 7 pm; Nov 28
English National Opera Tel: (071) 632 8300
● Ariadne on Naxos: by Strauss. A Graham Vick production al 7.30 pm; Nov 25; Dec 1, 8
● Khovanshchina: new production of Mussorgsky's opera. Director Francesca Zambello at 6.30 pm; Nov 24, 30; Dec 3, 6
Royal Opera House Tel: 071 240 1200
● An Ashton Celebration: The Royal Ballet Company pays tribute to its *founder choreographer* with a short festival of his work, consisting of 12 ballets and divertissements. *Performance* includes a new production of Daphnis and Chloë by Ravel at 7.30 pm; Nov 28, 30
● La Traviata: by Verdi. A new production by Richard Eyre. Georg Solti conducts for the first five performances, then Phillipe Auguin. In Italian with English surtitles at 7.30 pm; Nov 25, 29; Dec 2, 5, 8
● Mixed Programme: includes the World Premiere of Michael Clark's New Clarke Ballet, Fearful Symmetries choreographed by Ashley Page, and Symphony in C by Bizet, choreographed by George Balanchine at 7.30 pm; Dec 1, 6, 7
● The Sleeping Beauty: a new production of Tchaikovsky'a ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Nov 23, 26 (2 pm) ; Dec 3 (2 pm)
THEATRE
Gielgud Tel: (071) 494 5065
● Hamlet: by Shakespeare. Directed by Peter Hall, designed by Lucy Hall. With Stephan Dillane, Michael Pennington, Donald Sinden and Gina Bellman at 7.15 pm; to Feb 4 (Not Sun)
National, Olivier Tel: (071) 928 2252
● The Seagull: by Chekhov, in a new version by Pam Gems. Sat mat at 2pm at 7.15 pm; Nov 23, 24, 25, 26

■ NEW YORK

GALLERIES
Museum of Modem Art Tel: (212) 708 9480
● A Century of Artists' Books: Exhibition of 140 books from some of this century's foremost artists; to Jan 24
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Don Giovanni: by Mozart, sung in Italian at 8 pm; Nov 25, 28; Dec 2,8
● Lady Macbeth of Mtsensk: by Shostakovich at 6 pm; Nov 26, 30; Dec 3, 7
● Madama Butterfly: by Puccinlat 8 pm; Dec 1, 5, 8
● Rigoletto: Italian opera by Verdi at 8 pm; Nov 23, 26, 29; Dec 3
New York State Theater Tel: (212) 870 5570
● The Nutcracker: by Tchaikovsky. performed by the NY City Ballet. Tue-Thu 8pm. Fri 8 pm. Ring for other times and matinees; from Nov 30 to Dec 31 (Not Mon)
THEATRE
Walter Kerr Tel: (212)239 6200
● Angels In America: Tony Kushner's Tony-award winning play. Sun mat at 3pm. Wed., Thurs., Sat. at 8 pm; to Dec 4

■ WASHINGTON

CONCERTS
Kennedy Centre Tel: (202) 467 4600
● Los Angeles Philharmonic: Conducted by Esa-Pekka Salonen, with pianist Ollie Mustonen play *Lutoslawski, Ravel and Sibelius at* 5 pm; Nov 28
GALLERIES
Phillips Collection Tel:(202) 387 2151
● Pictographs of Adolph Gottlieb: exhibition of one of the founding members of the New York School; to Jan 2
OPERA/BALLET
Kennedy Centre Tel: (202) 467 4600
● Le Nozze di Figaro: by Mozart sung in Italian with English sur-titles at 6 pm; Nov 25, 27
Washington Opera Tel:(202) 416 7800
● Faust: by Gounod. Director, Ellen Douglas Schlaefer, conductor, Richard Bradshaw. Faust played by Jianyi Zhang. In French with English surtitles. at 7 pm; Nov 26

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Edward Mortimer

Bigger and better?

Nato should be enlarged in step with the EU and WEU

Just over a year ago, when the Clinton administration still hoped to discover a unifying theme for its foreign policy, Anthony Lake, the president's national security adviser, came up with "enlargement". Soviet expansionism had been successfully contained. Now was the time to "enlarge" the circle of free-market, liberal democracies.

That sounds good, but it gets trickier when applied to specific institutions. The thought that Poles or Ukrainians are enjoying freedom of speech is heart-warming. What is not so easy is to sign a treaty giving them the right to export cheap steel to western Europe, or to expect automatic military support in a war with Russia.

The US is all in favour of enlarging the European Union, except that it is not a candidate for membership. It is more ambivalent about enlarging Nato, which would require the US Congress to approve military guarantees to central and east European countries. As for the Western European Union, few people in the US have heard of it. But then, few Europeans have heard of it either.

WEU is a subject only for the *cognoscenti*, because until now its function as a military alliance has been subsumed in Nato. All full members of WEU are also members of Nato, which includes the US and has a military organisation to implement its guarantees. The question of what WEU would do if one of its members were attacked has therefore been academic. The Nato guarantee would be invoked first.

But since the Maastricht treaty came into force a year ago, WEU has had another role as a "defence component" of the European Union. Any member of the EU has, on paper, the right to full membership of WEU. It is not specified that the country in question must also be a member of Nato. So far that has not mattered because Ireland, the only present EU member not in Nato, has contented itself with observer status in WEU. But in six weeks three more non-Nato members – Austria, Finland and Sweden – will join the EU. They too will settle for observer status in WEU in the first instance, but are likely to take a keen interest in the EU's security role in central Europe and the Baltics. If WEU becomes a "fourth pillar" of the EU in 1996, charged with implementing a common defence policy, some or all of these countries will want to be involved.

That will be even more true of the central European countries in the next wave of EU enlargement, and of the Baltic states whose right to join that wave will be championed by Sweden and Finland. That means that, perhaps as soon as the end of this decade, west Europeans will be asked to guarantee the security of countries that were formerly Warsaw Pact members; perhaps even countries that were within the Soviet Union. It is no secret that these countries' interest in auch guarantees arises from their experience of Soviet rule, and their fear that a Russian threat might reappear. In the case of the Baltics that fear is not far-fetched.

As the EU expands eastwards, its security dimension will become more important

Russian sensitivity about Nato enlargement is well-known. It was restated with vigour on Monday by Russian speakers at a Paris symposium on the proposed "stability pact" between the EU and its would-be members in central and east Europe, better known as the Balladur plan.

The idea of the plan is to use the central and east Europeans' eagerness for EU membership as a lever to get them to resolve their bilateral problems. That means recognising each others' frontiers as permanent, and undertaking to treat national minorities properly – something they are all prepared to do on paper, though getting some of tbem to implement their commitments may not be so easy.

What is interesting is that the leverage appears to have worked in reverse. Edouard Balladur, the plan's autbor, declared in opening the symposium that "everyone can see this [EU] enlargement is for us an imperative". Not everyone would bave seen that as an imperative of French policy before the plan was launched. Such statements make the prospect of eastward EU enlargement mucb more real.

At the same time Mr Balladur warned against being overhasty in enlarging "security institutions, such as Nato or WEU". The "brutal inclusion of new countries in these alliances," he suggested, "could provoke more instability than stability on our continent." Music to the Russians' ears.

Eventually, though, the problem will have to be faced. The further east the EU expands, the more important its security dimension will become. To deny its easternmost members the right to participate in common security arrangements will prove an untenable position; and it would be dangerously incoherent to have a European defence union with some members allied to the US and others not. If Nato is to retain any credibility, it should be enlarged in step with the EU and WEU.

One Russian speaker on Monday, Sergei Karaganov of Moscow's Europe Institute, seemed fairly relaxed about tbis prospect. He argued against expanding Nato now, on the grounds that an excluded Russia would cut off co-operation with the west and edopt a wrecking attitude to European security arrangements. But he was happy to let EU expansion take its course, even if it brought WEU and Nato expansion in its wake. Why? Because it will take time. By the time tbe terms and extent of EU enlargement are worked out, be implied, the struggle between westernisers and nationalists in Russia will have been decided one way or the other.

I wonder. That struggle has been going on for three centuries at least. Can we really expect it to be decided within the next five years?

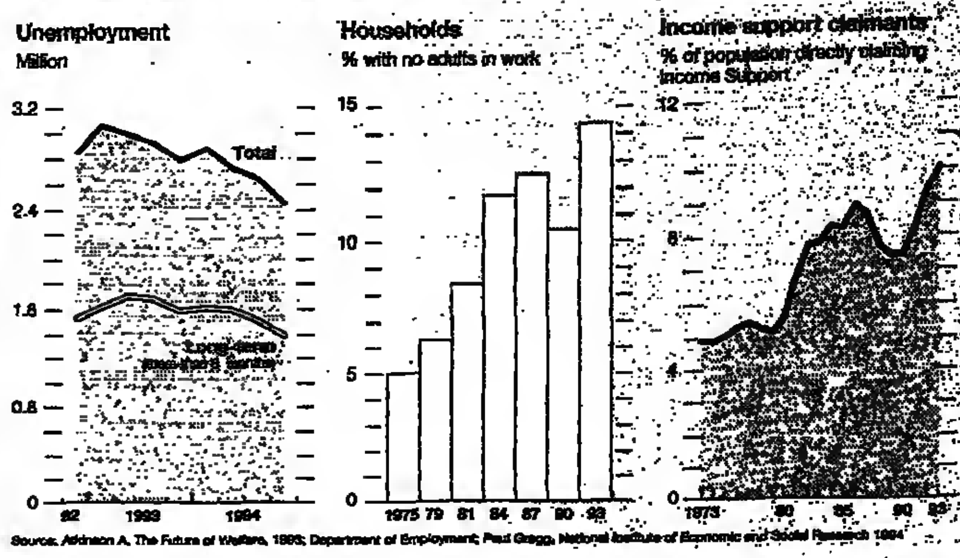
Welfare sent out to work

Stephanie Flanders on how the UK chancellor might use the Budget to encourage employment

The lowest inflation in a generation, rising exports and productivity, falling public borrowing – Mr Kenneth Clarke, the chancellor, must be feeling pleased at tbe UK economy's recent performance as he prepares his second Budget speech.

Despite all the good news, however, there is a group that is being left behind: a hardcore of long-term unemployed individuals and families without earners. Falls in beadline unemployment have not been accompanied by similar falls in either long-term unemployment or the number of families dependent on welfare.

"Unemployment," said Mr Clarke earlier this year, "must be the main pre-occupation of economic policymakers in the 1990s. We must look more closely at bow those on the fringes of mainstream society can be brought back in...ensuring that they do not get trapped in a web of dependency and exclusion."



Source: Atkinson A. The Future of Welfare, 1993; Department of Employment; Paul Gregg, National Institute of Economic and Social Research 1994

With a tenth of the population dependent on state benefits, trade unions, employers and pressure groups are arguing that Mr Clarke'a priority of last year – improving public finances – would best be served this year if he introduced Budget reforms to hring greater numbers into work.

As far as these groups are concerned, the challenge is clear. "Stable economic conditions may not be sufficient in themselves to tackle the structural prohlem of long-term unemployment," says Mr Howard Davies, director general of the Confederation of Britisb Industry. He argues that the government should take the lead in creating more jobs for more families.

In 1993, nearly 15 per cent of non-pensioner bouseholds in the UK were without a working member, compared with less than 5 per cent in the 1970s. Officially, unemployment in the UK has fallen by 455,100 since its peak of nearly 3m at tbe end of 1992. But the number of people unemployed for over a year remains as high as it was two years ago, at a little under 1m, while the number out of work for over two years has risen sharply.

In fact these figures understate the problem because many of the long-term unemployed have been so discouraged , that they have left the workforce altogether. Researchers have found the main factor determining whether a man will be unemployed is not his education or previous job but whether he was unemployed the previous year.

"When someone has been out of work for over a year, the chances of him or her finding work within three months are currently less than 5 per cent," says Dr Madsen Pirie of the free-market Adam Smith Institute in London.

There are two main reasons why the long-term unemployed find it difficult to get work. Being "out of the loop", they are less likely to hear about openings, and lack of recent experience makes them unattractive to employers.

The second is being in the benefit system. The structure of benefits can make it unattractive for a household member to be the only one to find a job, as benefits for the whole family will be withdrawn.

"Jobless men are generally accompanied hy jobless women," says Dr Jonathan Wadsworth, an economist at the National Institute of Economic and Social Research in London. He says only 20 per cent of unemployed men live with a working partner, against 80 per cent of employed men.

Social security provision, by its nature, always implies a disincentive to work. When people are poor and unemptoyed, they qualify for support. The fact that benefits are withdrawn when they start earning means their new earnings are effectively taxed at a much higher rste than the rest of the population.

This problem has been exacerbated, in recent years, hy changes in the kind of jobs available. Only 20 per cent of jobs filled by the unemployed are full-time, permanent positions. Half are part-time and many are low-paid. This means they have less chance of earning enough to take them beyond the high marginal tax rates on the first pounds earned.

In the 1980s, reducing the relative value of benefits was expected to lessen the disincentive to work. But benefit cuts did little to stem the rise in the number of individuals and families dependent on benefits.

US-style "workfare" proposals raise the stakes further, by forcing people to "work off" their benefits after a set period. But these are highly controversial, and would imply large and costly public jobs programmes which a Conservative government might object to.

Many in both the Conservative and Labour parties believe that a better, and cheaper, approach to the problem is to give private employers more of an incentive to offer jobs to the long-term unemployed, and to update the benefits system so that they have more incentive to take work.

Dr Pirie argues that the government should give all people out of work for over a year a "green card" entitling them to two years' exemption from national insurance and income tax payments. In addition, cardholders' benefits would be phased out over the first two years of employment, rather than withdrawn immediately.

Such a scheme would create jobs as well as encourage employers to select the long-term unemployed over others, says Dr Pirie. "There are whole categories of work which are uneconomic at present, but which would become worthwhile if labour costs were significantly lowered."

The cost in lost tax and NI contributions and continued benefits would be considerable. But so, too, are the costs of supporting the more or less permanently unemployed, says Dr Pirie.

Budgetary worries are still likely to deter Mr Clarke from entirely exempting the long-term unemployed from NI and income tax. But he is said to be considering more modest tax changes along these lines. There might be an NI "holiday" for the long-term jobless, and a lowering of the tax burden for all of the low-paid, through either an increased personal tax allowance or a wider lowest income tax band.

Tax measures would encourage employers to take on workers, but, critics argue, Mr Clarke needs to tackle the benefits system as well, if he wishes to reduce disincentives on the employee side.

"It is simply wrong to say that a lower-rate band of income tax, or lower NI contributions, help people escape very high marginal withdrawal rates at the lower end of the income distribution," argues Mr Paul Johnson of the Institute for Fiscal Studies. "They are primarily a feature of the benefit system, not the tax system."

Some people, especially those without children, can still earn enough to move out of means-tested benefits, believes Mr Johnson. "But lone parents and many couples with children can be trapped on benefit, because of the way their limited job opportunities interact with the benefit system."

Family credit – introduced by the government in 1988 – was one response to the expenses of raising a family that made it hard to accept low-paid jobs without being made worse off. Another was the additional childcare credit introduced in last year's budget. Both effectively restore lost benefits once people are working 16 hours a week, although after that the credit is withdrawn at a 70 per cent marginal rate.

At least for the 60 per cent of eligible families who receive it, family credit has taken the welfare system a step towards fitting the new world of work to the new world of non-work. But more credits – to take account of housing expenses, perhaps, or give a specific incentive for a second member of the family to work – would further smooth the transition from welfare to work. Improving the take-up of family credit would smooth it further.

If this is the stuff of Mr Clarke's budget, he will not be able to declare an end to long-term unemployment. Every country in Europe is facing high structural unemployment. Budget changes alone will not eliminate the problem. His challenge next week will be to find ways to stop the tax and benefit system from making it worse.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Elderly should not have to worry about financial decisions

From Mr David Layton.

Sir, It is suggested (Personal View: "Better deal for personal pensions", November 16) that in order to have dignity and independence in their old age, the elderly ought not to be required to huy annuities with their tax sheltered pension scheme moneys but to have continuing control over their capital.

Surely recent experience of encouraging greater freedom for employees, on tbe advice of independent financial advisers, to frame their own future pensions as they choose should be warning enougb.

We should be moving in the opposite direction. When we are elderly we do not wisb to continue to take part in the financial decisions on wbich our welfare depends; in fact, we and our spouses are frequently not competent to do so. Far better would be a collectivist approach whereby all pension money or entitlements, at least up to some substantial pension level, could easily be put into one pot on retirement – 70 at the latest.

Already, more and more of our pension money comes in bits and pieces, whicb can be very confusing. So a simple indexed monthly payment from a single source would be an enormous improvement. This would indeed be a valuable service, particularly to the very elderly and the very many who are ailing.

We do not retain our dignity by dithering over financial niceties or legal complexities. Only a financial adviser could believe that.

David Layton,
Income Data Services,
193 St John Street,
London EC1V 4LS

A dangerous vacuum

From Mr Bohdan Skrobach.

Sir, Your editorial, "Ukrainian virtue" (November 18), states that tbe Ukrainian parliament made the world a safer place. But has it also made an "independent" Ukraine safer?

Ukraine cannot survive as an independent state without creating economic prosperity. Poland has understood this very well. But Poland also knows that economics does not guarantee security. This is why it is strongly seeking Nato membership and integration witb western Europe.

Ukraine begins an attempt at radical reform with no offer to become part of Nato. The possibility of becoming part of European Union is measured in decades.

An independent Ukraine today exists in a vacuum. Because of its size and location, this is a dangerous state to be in. Ukraine's bistory attests to this.

Bobdan Skrobach,
23 Rowland Street,
Toronto, Canada M6P 1M2

Well paid, well equipped and subject to market forces

From Mr Gerry Hinde.

Sir, British Gas boss Cedric Brown must be understandably flattered that his shareholders deem him worthy of nearly £500,000 a year ("Air of mystery surrounds utility pay packages", November 22).

One wonders how they would have valued him had he an understanding of the importance of public relations.

Gerry Hinde,
2 Ward Road,
Southsea, Hants PO4 9PA

From Mr D Miller.

Sir, The Cadbury Committee must be very pleased with itself: remuneration committees throughout the land have been unflinching in their quest to award executive directors the going rate for their job, however high it may be.

Struggling employees and shareholders can sleep easily in their beds at night, in the knowledge that their executives are now better equipped than ever to deal with the harsh commercial problems facing their companies.

D Miller,
16 Shipfield,
Norwich NR3 4DX

From Mr Roland Davis.

Sir, Since the market rate for a chief executive of multinational calibre is £475,000, I hope British Gas will go to the market and find such a person, instead of retaining its present chief executive who, according to market forces, is worth only £270,000.

Roland Davis,
Wayside House, High Street,
Shoreham, Kent

Lobbying taken seriously

From Mr Phil Kelly.

Sir, Kevin Brown made a number of valuable points about lobbying the Labour party ("A word in Tony's ear", November 18).

He is wrong, though, to suggest that Labour does not take tobbying companies seriously. We in tbe profession were pleased that Labour's head office organised two briefings for lobbyists, before and after this year's party conference. We had a fruitful dialogue about what our clients expected from and got out of the conference, and how they should be approaching the Labour party on policy matters in future.

Clients do not always know where they should go to get their message across. Charles Clarke, a political insider, sbould be aware just how closed and forhidding the world of politics looks to people who are very good at running their own companies and organisations but don't know an early day motion from an oral question.

Labour seems to appreciate that lobbyists help companies to sharpen their case and target it correctly. We help both clients and political parties to avoid a great deal of wasted time and effort.

Phil Kelly,
The Public Policy Unit,
50 Rochester Row,
London SW1P 1JU

Important support for small and medium-sized enterprises

From Mr David R Grayson.

Sir, As chairman of the independent Assessment Panel appointed by ministers to vet local applications to become a Business Link, I welcome your editorial, "Small business management" (November 9).

Independent market research was a key element in tbe rationale for supporting the establishment of a national network of Business Links.

All proposals for individual Business Links must be backed up by separate market research into their target market companies, and they are required to undertake regular customer surveys which evaluate effectiveness of services provided.

The target is that at least 85 per cent of Business Link customers should be satisfied or very satisfied with the services they use.

A key innovation of the Business Links is the personal business adviser who will develop a long-term relationship with a portfolio of small firms, analogous to the account manager in an advertising agency. I believe that these personal business advisers are an important guard against your fear that Business Links "may be keener to meet their targets... than they are to evaluate the benefits their customers derive".

Your overall message is, however, well-taken. In an increasingly competitive and fast-changing global marketplace, we need up-to-date information on the most effective ways of supporting small and medium-sized enterprises. We could usefully start by ensuring government-funded research into the small and medium-sized enterprise sector is better focused to give the programme implications back to policymakers and business support agencies.

David R Grayson,
chairman,
national assessment panel,
Business Links,
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FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
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Wednesday November 23 1994

TV with frontiers

The European Commission complains it is often accused unjustly of unnecessary and intrusive meddling. However, proposals for EU audio-visual policy currently being drafted in Brussels appear designed to prove its critics right. They also raise questions about the commitment of the Commission – and notably of Mr Jacques Delors, its president – to putting EU interests above those of individual members.

The proposals would modify tha EU's five-year-old broadcasting directive, which calls on broadcasters to ensure that half their programming is of European origin. As well as toughening this rule by removing a provision that it be applied only "where practicabla", the draft modifications would narrow the definition of programmes which could he counted as part of the quotas and require half of independently-produced programmes to be recent material. They would also set guidelines for investment in film channels and ban advertising on home shopping services.

By any measure, these changes would traduce the Commission's purpose in drafting the original directive. This was to harmonise national rules just enough to remove obstacles to cross-frontier broadcasting. The provision for quotas was inserted at the insistence of France, which threatened otherwise to oppose the idea.

How far the directive has promoted a single market in television is unknown. However, the aim of the proposed revisions seems clear: it is to to protect production houses and broadcasters from non-European competition, notably from Hollywood.

The implied restrictions on free choice are intrinsically objectionahle. By seeking to impose a straitjacket on a sector which is exploding under the impact of rapid technological change, the proposals also defy logic. At best, they would be absurdly cumbersome to administer. At worst, they would lock Europe's entertainment industries into the structure of the past and deter innovation and commercial investment in emerging multi-media services.

Most damaging of all, the proposals would do nothing to advance the single market. On the contrary, they could further undermine it by legitimising continned protection of national induatries. This seems to have heen the effect of the existing directive in France, its keenest proponent. Local content quotas have been established by law and freely interpreted to fnvour French programming.

It is disturbing that much of the drive behind the proposed revisions is from some of Mr Delors' closest advisers in Brussels. That inevitahly raises doubts about how far they are intended to benefit the EU, and how far to serve French national interests. Mr Delors' fellow commissioners would do well to remova any such suspicions by voting the proposals down. That would also be the best outcome for Europe's media industry and its customers.

Opec dangers

As a tactic, it could work. The Organisation of Petroleum Exporting Countries yesterday took the unprecedented step of extending its production ceiling for a year in an attempt to coax oil prices upwards. The move, urged on the cartel by Saudi Arabia, its largest producer, shows that Opec retains much influence over the direction and stability of world oil prices, despite its internal struggles. But longer-term questions remain about Opec's own stability and, still more, about the global implications of the increasing dominance within it of Saudi Arabia.

Whether prices rise in the next six months, as Opec hopes, depends on whether world demand rises. Unfortunately for Opec, the weather in many northern countries has been warm so far. Nonetheless, it is important that growth in demand from non-OECD countries is now large enough to compensate for recessions in industrialised countries, in sharp contrast to the pattern in 1973 and 1982.

As a result, world demand for oil, which hovered between 55m and 65m barrels per day between 1973 and 1990, has broken out of that range to some 68m h/d this year. Moreover, Opec's share of the world's production, which is now about 25m b/d, may also creep upwards, since investment in prodnction outside Opec is being restrained hy the persistently low oil prices.

On the evidence of this week'a meeting, Opec may be ahle to deliver tha broadly predictable oil prices oil importing countries desire, at least if the cartel continues to operate against a hackground of steadily rising world demand. But the result will also be a growing concentration of power within Opec, since only Saudi Arabia and Iraq look capable of supplying mucb of the increase in demand.

The markets have been rather more pre-occupied with the possibility that Iraq will, at some point, resume exporting oil, once it has complied with enough of the conditions imposed by the United Nations after the Gulf war. But its return would probably add only about 1m b/d to world production, a third of pre-war levels.

The qnestion about Iraq obscures the far greater importance of Saudi Arabia, which now accounts for a third of Opec production and a seventh of the whole world's. Provided that it has adequate resources to invest in more production, which should be feasible even in its current cash-strapped state, it ia well placed to increase its share of Opec's production as world demand grows.

Saudi Arabia's ability to take on an increasingly important role in adjusting its output to demand should help ensure a degrea of price stability. That is certainly what the world wants for much the most important single commodity in world trade. The kingdom has hitherto shown both the willingness and the ability to provide what is needed. But the global economy is also becoming more highly exposed to the risk of Saudi political instability.

Hope in Angola

Angola'a ceasefire calls to mind the axiom that second marriages are a triumph of hope over experience. But this shotgun marriage could succeed. Much has changed since 1991, wben President Eduardo dos Santos and Mr Jonas Savimbi, the Unita leader, agreed a ceasefire, only for it to collapse the following year. For the first time in three decades, southern Africa is within reach of a comprehensive peace, built on democratic governance, market economics and the aim of co-operative regional development.

Blame for the collapse of the last peace pact, which followed Mr Savimbi's refusal to accept defeat in the 1992 elections, rests primarily on his shoulders. But the collapse might have been averted had the settlement provided explicitly for a government of national unity, and had the United Nations received more support for its role in monitoring the disengagement and subsequent creation of an integrated army. Instead, it was inadequately resourced.

Both issues have been addressed at tha Lusaka ceasefire talks. Unita has an assured role in government, and the UN force will number 6,000-7,000 – 10 times the size of the 1991-92 contingent.

Among the most heartening elements has been the part played by African leaders, particularly of the "front-line" states. Once preoccupied with the battle against white minority rule, the group is seeking to act as a facilitator of democracy and promoter of regional economic co-operation. Mediation in Lesotho and Mozambique, where it balped persnade Mr Afonso Dhlakama to end his election boycott, has already brought results. If the frontline states can maintain pressure on Unita and urge restraint on the MPLA, the settlement may yet succeed.

At the same time, the world's leading powers must help fund and man the UN initiative. They should also be prepared to help Angola's economic recovery. The country has lost more than lives since this futile conflict resumed. Since then, South Africa has not only captured the world'a attention but probably drained much of the world's aid purse. Had Angola been able to appeal for international assistance in 1992, it would probably have received a better response than is likely today.

Fortunately, the country has substantial resources. At least half the oil export earnings went towards the government's war affort, while the diamond fields helped sustain Mr Savimbi. Oil production, currently more than 500,000 harrels per day, could exceed 700,000 barrels before the end of the decade. Given peace and good management, the country can also develop its hydroalectric potential and exploit its agricultural and marine resources.

Nevertheless, Angola needs help. Generous international assistance is more than a worthy humanitarian cause. It would also relaunch a region whose success is central to recovery in Africa as a whola.

Tony Walker and **Kevin Done** examine a market that western carmakers are eager to enter, in spite of the risks

Chinese roads paved with gold

It was an invitation the world's carmakers could hardly refuse. When China'a Ministry for Machinery Building asked for ideas for a "people's car" to be submitted in conjunction with a small-car exhibition in Beijing, most large international car manufacturers obliged.

As a representative of General Motors, which was displaying its Opel/Vauxhall Corsa among other models in Beijing, said: "When they say jump – people jump."

China, which last year produced 234,000 cars from its own plants, currently has fewer than 2m cars in use, of which fewer than 5 per cent are privately owned. The ministry's "Strategic Development Research Team of China's Family Car" forecasts a steep rise to 22m hy 2010. It predicts that by tha year 2010, China will be producing 3.5m cars a year, two-thirds sold privately.

It is this prospect of an ever-widening circle of car owners in the world's most populous country that is proving such a magnet. China's urhan population alone is 300m, which compares to continental Europe and exceeds that of tha US.

"Who can ignore an opportunity in a market that could be the world's largest in 20 years?" asked Mr Toshiaki Yasuda, Nissan's chief representative in China.

Under a new car industry policy unveiled earlier this year, China plans to raise production by 2000 to between 1m and 1.5m, based on output from "three or four" large conglomerates that will be developed over the next few years. This production would account for 90 per cent of demand from the Chinese market by 2000-2003.

The foreign participation being sought by the government will help to rationalise a motor industry that is highly fragmented.

"Consolidation is badly needed, if the sector is to benefit from economies of scale," according to a recent study by the Economist intelligence Unit. "The government's blueprint is to accelerate the natural process of rationalisation in the industry over the next few years, in order to create a few large and strong producers."

China has set its sights oo mass-producing a "people's car" designed specifically for the Chinese market. The question for Beijing – no less than for foreign carmakers – is whether existing models that have been tried and tested would fit China's requirements best, or whether a completely new car is required.

At last week'a motor show for small cars in Beijing, most of the world's leading producers displayed cars from their existing ranges: Ford showed ita Fiesta, Geoeral Motors the Corsa, Nissan the Micra, Toyota the Tercel and PSA Peugeot Citroën the Citroën ZX, which is already heing produced in China.

But it was the concept cars, specially designed for the Chinese market, that captured most attention (see helow). These included Porsche's C88 prototype, a 1.1 litre five-seater that hogged the limelight, the Mercedes-Benz FCC (Family Car China), and Mitsubishi's X-concept study derived from its Chariot/Space Wagon small multi-purpose vehicle.

At stake is the right to huild a low-cost, fuel-efficient car for the standard Chinese family, that could have sales running into the millions and would provide a solid platform for growth in a market with enormous growth potential.

It is the prospect of a rising number of car owners in the world's most populous nation that is proving such a magnet

With market growth sluggish in Europe and North America, the world's leading carmakers are fighting to establish a presence in the world's emerging markets.

According to Mr Alex Trotman, chairman and chief executive of Ford, the world's second largest vehicle maker, about 80 per cent of the world's population live outside the traditional automotive markets of west Europe, North America and Japan, hut the number of cars and trucks sold in these regions represents only about 8 per cent of the world's total.

The motor industry believes that the Asia/Pacific region bolds the hrightest prospects, with sales in Asia (excluding Japan) expected to triple duriog tbe next 15 years.

Japanese carmakers already have a stranglehold on most of Asia with as much as 90 per cent of car markets such as the Philippines, Indonesia and Thailand. In China, however, the Japanese producers have been beld at bay, and it is the European industry that has taken the early lead – its one success story in the region.

Volkswagen, Europe's largest carmaker, was a pioneer among western carmakers in entering China, having signed its first joint venture in 1984. It claims that hy 2000 it will have a capacity to produce 660,000 cars and 830,000 engines a year – 300,000 cars a year at Shanghai Volkswagen and 360,000 a year at FAW-Volkswagen, its joint venture with First Automohile Works in north-east China.

VW claims that it has mada "huge strides" in developing the supplier industry in China. Local content at the Shanghai plant now exceeds 80 per cent, and it estimates that about 40 joint venture contracts and approximately 100 production and knowhow licences have been agreed between foreign – predominantly German – suppliers and local Chinese partners. An additional 30 joint ventures are under negotiation.

"With our commitments in China, we are pursuing a strategic objective of capturing a long-term leading market position in the region," said Mr Martin Posth, VW director for Asia/Pacific. "China is envisaged as the main production site with smaller sateilite operations elsewhere in Asia."

Ford is setting up a series of components joint ventures in China in the hope that this will open the way for it to begin assembling vehicles in the near future. "We are eager to establish vehicle assembly projects in China at the earliest opportunity," said Mr Frank Macher, Ford vice-president and general manager of its automotive components division.

Chinese officials responsible for deciding which foreign manufacturer will build the family car expect a decision by 1996, hut are not committing themselves as to whether one or more carmakers will be chosen. Mr Zhang Xiaoyu, director of the Department of Automotive Industry in the Ministry of Machinery Building, said that China would be guided in its decisions by which of the companies "provided the hest terms for us".

Mr Zhang said one issue that would influence the Chinese decision would be whether the applicants' proposals complied with automotive policy, including tecbnology transfer and the development of the local components industry.

Foreign car producers say that even if a decision is made on the family car proposal by 1996, production would not start before 1998-99 at the earliest. This timetable suggests that China will have difficulty meeting its production target of at least 1m cars hy 2000.

The prospect of participating in the birtb of a Chinese small car has appeared too daunting for some companies in the world motor industry. BMW, for example, considered participation through Rover, the UK carmaker it acquired early this year, but held back.

"We have investigated it hut we think one wonld lose a lot of money," said Mr Barnd Pischetsrieder, chairman of the BMW management board. "Whoever does this people's car project will not be successful financially."

Mr Posth of VW acknowledges that two contradictory arguments confront all industrial investors. The first says: "You will certainly lose at the start, if not in the long run as well. The initial phase will last mucb longer than you ever thought it would.

"It will take far longer than you ever imagined to learn the rules in China. You will be constantly hindered by your Chinese partner from doing the right thing – they profess to know everything better, even tbough they had invited you because of your technical superiority and managerial know-how ... And wbere are those hillions of consumers?"

On the other hand, said Mr Posth, "by not being in China, you are perhaps missing out on the chance of a lifetime. If your competitors are investing in China and exporting from there, they will be able to beat yon wherever they like anywhere in the world.

"It may or may not be the end of the Deng Xiaoping era ... but then where can you invest without incurring some sort of risk? And don't forget what people said in the 1950s about getting involved in Japan."

The stampede by tbe world's carmakers into Beijing last week suggests that few are prepared to be absent, however great the risks.

China's automobile industry: shifting up a gear

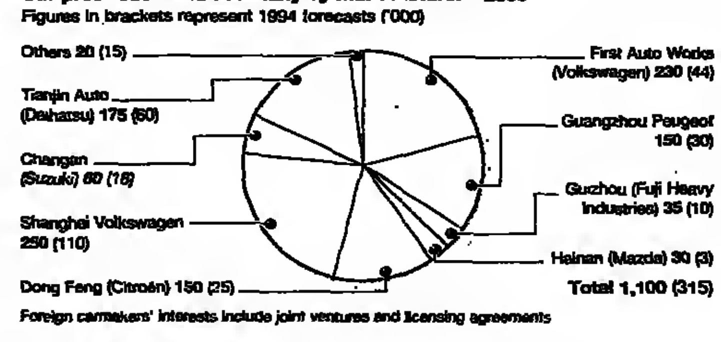
Mercedes-Benz prototype family car, presented in Beijing last week

New car market

	1990	1991	1992	1994*	1996*	1998*	2000*
Growth in registrations (%)	21.2	98.1	32.8	8.6	19.8	15.9	11.1
Cars in use ('000)	1,150	1,225	1,500	1,850	2,500	3,400	4,450
Growth of cars in use (%)	8.5	6.5	22.4	10.4	17.6	15.3	12.7
Cars in use per 100 of population	0.10	0.11	0.13	0.15	0.20	0.27	0.34
Production ('000)	38	67	147	315	575	825	1,100

* Forecasts

Car production and assembly by manufacturer - 2000
Figures in brackets represent 1994 forecasts ('000)



Foreign carmakers' interests include joint ventures and licensing agreements

Auto industry forecasts ('000)

Sales	1994	1995	1996	1997	1998	1999	2000
Passenger cars	380	480	575	690	800	900	1,000
Commercial vehicles	880	980	1,100	1,200	1,280	1,400	1,500
Total	1,260	1,460	1,675	1,890	2,080	2,300	2,500

Production	1994	1995	1996	1997	1998	1999	2000
Passenger cars	315	455	575	705	825	945	1,100
Commercial vehicles	850	950	1,100	1,200	1,275	1,400	1,500
Total	1,165	1,405	1,675	1,905	2,100	2,345	2,600

Source: EIU

Designers stress their proletarian credentials

Music hlared, pretty girls provided decoration, and the covering was slowly removed from a vehicle on an elevated stage. Porsche was unveiling its prototype of the family car its designers hope will capture the hearts of Chinese bureancrats and consumers, writes Tony Walker.

The German sports carmaker could not be accused of under-selling its wares in the competition to participate in Chioa's "people's car" project. It has developed the prototype C88 (Concept 88 car) especially for the Chinese market, with styling that embraces snch features as headlights with oriental characteristics.

Porsche – which makes fewer than 20,000 cars a year – was very much the ontsider among the world's car giants exhibiting at last week's small-car show in Beijing. The company wants to supply basic design and engineering assistance to a Chinese manufacturer in return for a fee or royalty on models prodnced. Its representatives emphasised that Ferdinand Porsche designed and hnilt the first Volkswagen in the mid-1930s – Germany's "people's car" and the prototype for 21m "Beetles".

Also trying to persuade the Chinese of the importance of a long track record was Ford Motor Company. It invoked Henry's name and thet of the Model-T – the world's first mass-prodnced vehicle.

"All great endeavours begin with a vision," said Mr Wayne Booker, Ford's executive vice-president for international operations. "Ninety-one years ago, Henry Ford had a vision of providing the greatest good for the greatest number of people ... From that beginning Ford has adhered to the vision of serving working people."

It was not clear whether this appeal to the proletarian instincts of Chinese officialdom made much impact. But the announcement by Mercedes-Benz that it was prepared to invest up to DM2bn (£800m) in a new plant prodncing 250,000 FCC (Family Car China) coocept cars a year would have been welcome.

Mercedes-Benz's sqnat, snnb-nosed prototype was not the most elegant vehicle on display. But it attracted attention from both Chinese consumers and international competitors, wbo were curious about the German luxury car prodncer'a ideas of what might sell in a mass market.

Mercedes-Benz executives were prond of the FCC's innovative design, which incorporates alternative propulsion options, such as electric or hydrogen drive. They also claimed outstanding fuel efficiency, with the 1.3 litre petrol engine capable of 800km on a single tank.

Participants in the sbow admired the Chinese for enticing the world's top carmakers to Beijing. But there was a hint of exasperation that, because of the huge potential of the China market, the Chinese clearly had the "upper hand", as one Japanese representative said.

"They are very good merchants," he said. "They are taking full advantage of the situation to let us know they are the masters, and that they are calling the shots."

Chinese visitors to the exhibition were mostly "window-shoppers". Economic reforms are bringing the possibility of purchasing cars within range of many Chinese, but the price tag on a "people's car" at this stage would be beyond the means of most.

"Yon have to be rich to buy a car," said Miss Shen, who was viewing the Mercedes prototype. "I'm dreaming of owning n car, but I'll have to wait ... till next century, perhaps."

OBSERVER

Venomous commentary

■ Oh dear. Looks like someone may have been drinking something a little stronger than tap water at last week's National Water Day conference in Paris. Whatever the tipple, Lyonnaise des Eaux, the French conglomerate, seems to feeling a hit off-colour.

The daily paper Libération had been cross-examining Jérôme Monod, the company's chairman, on his company's efforts to win a contract for reconstruction in the Gaza Strip from Yassir Arafat.

"I waited 15 hours, then was driven at 150km an hour through the streets of Tunis to be hrought before a sick and drugged man who took me in his arms and kissed me on the mouth," Monod is reported to have said.

Whether it was the reporter's pen or the executive's tongue that slipped, Arafat did not find it very funny. Gabriel Banon, his economic adviser, told Agence France Presse yesterday that six contracts negotiated with French companies would be cancelled as a result of the comments, including one for FFr30m with a Lyonnaise des Eaux subsidiary.

Monod was clearly also not amused. His company issued a statement last night saying the report of his comments was "taken out of context", "erroneous" and did not reflect the nature of his meeting in Tunis.

But more trouble may yet be in the pipeline. Monod also reportedly told Libération: "In China, where we have more than 14 water concessions, I had to drink the blood of a serpent cut open in front of my eyes."

Spot on

■ Is it mere coincidence that the British Veterinary Association's president, C.P. DeVile, is the namesake of Cruella, villain of the tearjarking tale of 101 Dalmatians? Pet-owners bereft of their furry friends might not think so. Christopher Paul DeVile, giving evidence to the House of Commons agriculture committee, said that the distress pets can suffer in quarantine kennels was nothing compared with the welfare consequences of an outbreak of rahies in Britain.

Predictably, DeVile sank his teeth into the committee's call for an immediate lifting of quarantine restrictions.

Pearls of wisdom

■ Must try harder. Japan has just released documents which show that there had indeed been an inexplicable delay in the transmission of the declaration of war oo the US before the bombing of Pearl Harbour in December 1941.

Yesterday the Foreign Ministry acknowledged that the delay in the delivery of the declaration to the US government was due to mishandling on the part of ... the Foreign Ministry. It added that it "accepts this as an unforgettable lesson which should not be repeated again, and has been trying to improve its working system".

Fifty-three years after the event, and it is still not fixed?

'I'm right behiod Tony Blair'

Bright sparkle

■ Nice touch. Harry Oppenheimer, the elder statesman of South African business, has handed in his notice and plans to retire as a director of world diamond giant De Beers on December 27 – the diamond anniversary of his joining the board – in 1934.

Oppenheimer, 86, succeeded his father, Ernest, as chairman of De Beers Consolidated Mines Ltd in 1957 and held the chair until a decade ago. Oppenheimer said yesterday that he realised thet "many people will think – and not without reason – that I became a director when I was far too young and continued as a director until I was far too old". Maybe so. But it will be a long time before South Africa produces another industrial leader to match his contribution.

Worldly move

■ Lewis Preston is wasting little time filling the large shoes of Ernie Stern, who announced last Friday that he was leaving the World Bank vice-presidency for J.P. Morgan. The hot tip in Washington is that his successor will be Richard Frank, another American and currently vice-president at the International Finance Corporation, generally known as the bank's private sector, hard money sister.

The Preston logic, which has the full support of the US administration, is that the bank is going to have to be ever more inventive in raising capital, especially now that Senator Jesse Helms is threatening to take the axe to anything smelling of foreign assistance and "world governments" unaccountable personally to him.

Frank, described as low-keyed and modest, certainly has the credentials. An old World Bank hand who moved to the IFC in the 1980s when Sir William Ryrie ran it, his principal responsibility has been raising funds through innovative syndicated and co-financing schemes. Though not a novice in the capital markets, the bank, according to its critics, and the countries which it helps, could use more imaginative approaches in the capital markets as official money becomes in shorter supply.

He will also be seen very much as Preston's man, which could never entirely be said of Stern – the organisation's institutional memory and the man not even World Bank presidents could circumvent with impunity. An announcement is expected within days when the bank board next meets.

Never knowingly

■ Dash, there goes another clever marketing gimmick. Sir Bryan Carsberg, Office of Fair Trading supremo, has just ticked off Connell Residential, Scottish Widows's chain of estate agents in southern England, for erecting "SOLD" signs outside houses which had not been sold and indeed were not for sale.

Sir Bryan said that he was concerned that the boards might mislead consumers. That seems to be one of the OFT's understatements of the year.

FINANCIAL TIMES
Wednesday November 23 1994

Group agrees to extend production ceiling for a full year

Opec moves to boost oil prices

By Robert Corzine and Manuela Saragosa in Bali

The Organisation of Petroleum Exporting Countries yesterday took the unprecedented step of extending its present production ceiling for a full year in a bid to boost weak oil prices.

Saudi Arabia, Opec's largest producer, overcame objections from Kuwait, Libya and Gabon to persuade oil ministers to maintain the 24.52m barrel a day ceiling "without reservation" for the whola of 1995.

That means there will be no formal commitment to review the ceiling at Opec's next meeting in Vienna in June 1995.

But Iran, Opec's most persistent price hawk, said it would seek a lower ceiling if prices failed to rise by June.

Mr Hisham Nazer, Saudi oil minister, was optimistic that the plan would work. "If yon balance supply and demand, ultimately you get higher prices," he said.

Mr Gholemreza Agazadeh, Iran's oil minister, said he would also demand a review if the productiou freeze pushed the Opec basket price, an index of seven international crude oils, above the organisation's target of $21 a barrel. In October the basket price averaged $15.36.

But a Gulf Arab delegate later said that "any changes would take place only as a result of special circumstances".

Analysts and oil company executives believe yesterday's move will be a positive factor for oil prices, which in real terms are at the same level as 1974.

The price of the henchmark Brent hlend (January) closed unchanged yesterday at $16.95 in spite of news of the agreement.

But there were sharply differing opinions as to how high prices might go. Some observers believe an Opec production freeze at a time of rising oil demand will push prices above $25 a barrel towards the end of 1995, as long as United Nations sanctions, which prevent Iraq from exporting oil, remain in place.

Others are more cautious. Mr Joe Stanislaw of Paris-based Cambridge Energy Research Associates said it was "not a victory for price hawks". The agreement might add only 50-75 cents to the average price of the Opec basket in 1995, he said.

Gulf Arab officials were also cautious. The "price improvement could take time", one said. He predicted that the hulk of any price increases might not be evident until the fourth quarter of 1995. The official also thought it unlikely that prices in 1995 would rise above $23-$25 a barrel.

The cautious view was echoed by an Iranian delegate. He said: "It depeods on [world] economic growth and how strongly that growth translates into oil consumption. And will any growth in demand go to non-Opec producers?"

Most of the growth in world oil demand in the past year has been satisfied by a surge in production by non-Opec countries, most notably the UK and Norway.

Editorial Comment and Observer ....Page 21

Debt fears deter investment in China

By Tony Walker in Beijing

China's rash of troubles with western creditors over unpaid debts is casting a pall over plans for heavy foreign investment in Chinese infrastructure, particularly in the power sector.

Western bankers also report signs of nervousness in international debt markets over China exposure, while loan syndications for state-owned companies are meeting resistance.

Mr Paul Schulte, China analyst at CS First Boston in Hong Kong, yesterday described the debt repayment issue as "critical" to perceptions of China as a safe destination for equity investment. "Everyone wants to do business with China," he said "but from a macroeconomic point of view the central authorities must be seen to be managing debt prudently."

International power companies have held difficult discussions with the Chinese authorities over returns on billions of dollars of proposed equity investment.

Beijing's attempt to "cap" rates of return at 12 to 15 per cent did not please nervous investors worried about repayment risks. But the Chinese now appear prepared to tolerate higher returns commensurate with the risks involved, although they have not yet indicated this publicly.

Recent reports of Chinese institutions failing to honour commitments included an announcement by Lehman Brothers, the US investment bank, that it was suing several hig Chinese state companies for alleged non-payment of debts arising from foreign exchange trading.

Foreign banks, including 24 Japanese institutions, last month petitioned Mr Zhu Rongji, senior vice-premier in charge of the economy, for the recovery of $600m in loans that had gone sour, mostly from leasing deals. European banks are also among those pressing the Chinese authorities over the non-payment of debts by state enterprises from leasing arrangements tbat date back to the early 1980s.

China's foreign debt reached $83.5bn at the end of 1993. It is expected to rise to $100bn this year.

The Chinese agency responsihle for monitoring foreign debt has urged restraint among borrowers. An official of the state administration of foreign exchange control under the People's Bank recently said foreign debt bad "expanded a bit too fast".

The Beijing representative of a large European bank said it was "getting harder" for China to borrow. There had been a "knock-on effect" from recent publicity, and he was advising clients to tighten up in their dealings with China. "If a corporate client asked whether to do business with China on a collection basis or by way of a letter of credit, I would advise a letter of credit," he said.

China's reputation for meeting its commitments has not heen helped by a dispute between China International Trust and Investment Corporation (Citic) and the London Metals Exchange involving an alleged default over payments of $30m to $50m lost in futures trading.

Citic initially said the losses resulted from unauthorised trading by its Shanghai branch, but subsequently put the matter in the hands of Price Waterhouse, the international accountant.

China's family car, Page 21

Berlusconi faces bribery questions

Continued from Page 1

responsihility for giving the orders and was briefly arrested during the summer in an earlier phase of the same investigation.

The prime minister said yesterday that the Fininvest managers already interrogated were victims of extortion, a line similar to that adopted hy many Italian entrepreneurs caught up in the inquiry into systematic bribery of tax police.

Speculation about the imminent investigation of the prime minister, either by Milan or Palermo magistrates, has swept financial markets recently, fuelled by comments last month by the head of tha Milan magistrates that the inquiries were reaching "high political levels".

Broadcasting quota plans open divisions in Brussels

By Emma Tucker in Brussels

Proposals to tighten European broadcasting quotas and separately to ban advertising on new electronic information services are threatening to divide the European Commission.

The outgoing audiovisual commissioner, Mr Joao de Deus Pinheiro, believed to have strong backing from Mr Jacques Delors, Commission president, will next week present plans to force European television channels to stick to European-made documentaries, cartoons and drama programmes at least half of the time.

Further, in a move that industry says will threaten the development of interactive consumer services in Europe, Mr Pinheiro is proposing to extend the scope of existing broadcasting rules to ban advertising on screen-based services such as "tele-shopping".

Mr Pinheiro's proposals amount to revision of the EU's 1989 Television without Frontiers directive which sets time limits on advertising. The new effort is an attempt to protect existing advertising revenues of national radio and television broadcasters.

Opponents of the plans the Commission and industry say the moves send a bad political message to the rest of the world, and make Brussels look confused about the information society.

One official said yesterday: "On the one hand it is saying it wants to liberalise the communications sector as much as possible, and on the other it is cutting off the possibilities for these new services to come on stream."

Much of the momentum behind Mr Pinheiro's changes comes from those within the Commission who believe European culture and language need to be protected from Hollywood. Some observers believe Mr Delors may be trying to use more protectionist media laws to boost a hid for the French presidency next year.

"Mr Delors wants to get this through because it will enhance his status in France," said an industry source yesterday. "The move is highly political and it is being led hy the Delors cabinet."

The 1989 directive already requires EU channels to reserve at least 50 per cent of their output for European-made programmes, "where practicahle". This loophole has allowed some channels to ignore the quota.

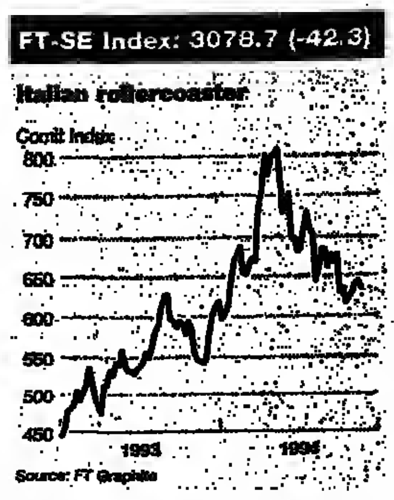
More worrying for industry, however, is the extension of the directive's scope to cover new services, a move which will prevent tele-shopping channels from carrying advertising.

Editorial Comment, Page 21

THE LEX COLUMN

Italian drama

FT-SE Index: 3078.7 (-42.3)



Source: FT Graphite

European bourses performed poorly yesterday, but none worse than Milan. Equities dropped 2.8 per cent, the 10-year benchmark bond fell nearly a point and the lira plunged to a record low against the D-Mark. That seems odd. After all, corruption allegations against Mr Silvio Berlusconi, Italy's prime minister, were hardly new.

What upset the markets was the timing of the announcement that he was being investigated. The announcement came on the very eve of the 1995 budget dehate and its controversial proposals for spending cuts and tax increases. Without a majority, the government was always going to have a hard time pushing through the budget. But the investigation has weakened Mr Berlusconi's political position further and may force him to accept compromises. It was fears of such back-peddling – with all the adverse implications for government funding – that undermined the lira and bonds. Shares fell on concerns that interest rates would have to be raised to support the currency.

Hopes that a conservative Berlusconi government would be good for equities have been dashed. That is in spite of an economy expanding at an expected 2.2 per cent this year, an inflation rate running at just 3.7 per cent, and a rapid recovery in corporate earnings. The Comit index is up just 1.7 per cent since January. Bndget uncertainty looks set to continue until the end of December, and political fractiousness is unlikely to diminish thereafter. Under the circumstances, prospects appear less than promising.

Vodafone

Heady growth in the UK mobile market is finally exacting a price from Vodafone. In the dash to sign on record numbers of customers in the six months to end-September, administrative procedures hecame overstretched with the result that fraud and had debts shot np. The sums involved – roughly one per cent of turnover – are not huge. But the episode rams home the point that the quality of Vodafona's customer base is deteriorating as the market expands. This is also seen in the sharp increase in the company's annual "churn" rate – the proportion of customers who leave the network – from 21.5 per cent to 26.5 per cent. Churn will now fall as procedures for signing up new customers are tightened but, in return, Vodafone will have to sacrifice some market share. In future, much of group growth will come from investment in overseas operations. But, as yesterday's Pta89bn bid by Vodafone's consortium for a Spanish cellular licence shows, such expansion will not come cheap. Meanwhile, the UK business remains vulnerable in the medium term to price cutting. So far, Vodafone has managed to maintain prices despite the arrival of new entrants offering large discounts. But once the new networks achieve nationwide coverage, Vodafone will be under pressure to match their offers. Even if a value of £1bn is put on the group's international operations and its overseas losses are stripped out, Vodafone's shares still trade at a healthy premium to market. That looks unjustified.

Thorn EMI

Yesterday's 2 per cent drop in Thorn EMI's share price yesterday was an exaggerated response to a solid set of interim figures. There were some modest disappointments – for example continuing prohlems at Rumbelows and evidence of intensifying competition in the US rentals market – but these were slight in the context of the robust 15 per cent growth in core operating profits and the 8.3 per cent increase in the interim dividend.

The higher than expected payout is an expressinn of the group's confidence in the future. Investors should share this. The management will soon be abla to taka the strategic tidying-up exercise a stage further with Thorn EMI's expected withdrawal from its defence interests. Meanwhile the margin enhancement targets it has set for both music and rentals seem achievable. Even if return on sales in the music division did not improve in the first half, the full-year figures should show progress towards the medium-term aim of 16 per cent. As for rentals, the improvement in margins in the first six months was impressive given difficult market conditions.

Assuming pre-tax profits of more than £400m for the full year, the shares are on a deserved, if not generous, premium to the market. The near 5 per cent prospective yield provides support. But sustained outperformance is likely only when and if the management revives the demerger plans, now shelved, which so delighted the market earlier this year.

UBS

Union Bank of Switzerland's board is still on probation. The narrowness of its proxy battle victory suggests that arguments put forward by Mr Martin Ebner, UBS's largest shareholder, struck a chord with some other investors. Mr Ebner may not have produced a compelling blueprint for how the bank should be run. But he was right to prod it to improve its returns. Now that the distinction between registered and bearer shares is to be abolished, the effective premium enjoyed by the former should shrink – unless Mr Ebner's legal challenge proves successful, that is. The bearer shares may also tumble. By most yardsticks, UBS is expensive relative to other Swiss and European banks. Unless the board is provoked by the narrowness of its victory to sweat its capital harder, the premium rating will be unjustified.

Cookson/JM

Merger talks between Cookson and Johnson Matthey may have broken down because the two sides could not agree on valuation. But the failure would seem to confirm that there was little industrial logic in a combination. Had there been, it would have been easier for one or other to give a little ground on valuation. Instead, talks became bogged down as each side fought for slightly greater shares of the merged company than implied by their respective market capitalisations. The main driving forces behind the merger talks were the ambitions of Mr Richard Oster, Cookson's chief executive, and Mr David Davies, JM's chairman, to run larger companies. Just because this deal has failed, those ambitions are unlikely to have faded.

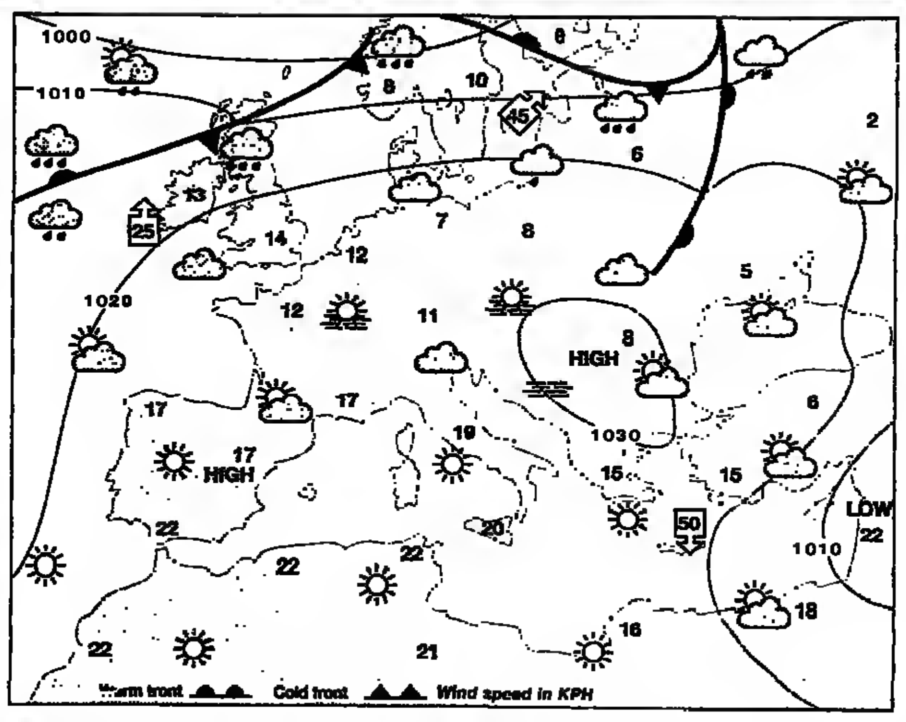
FT WEATHER GUIDE

Europe today

High pressure will continue to dominate. Much of north-west Europe will be cloudy and hazy. Light rain or drizzle may be frequent, especially over the Benelux, Germany and France. Meanwhile, a series of frontal systems will sweep towards Scandinavia, giving Norway a lot of rain along the south-west coast. A strong south-westerly flow will send mild air into Sweden and Finland. The eastern Mediterranean will be unsettled. Eastern Turkey will have rain and Israel will have frequent thunder showers.

Five-day forecast

Colder air will arrive in eastern Europe towards the weekend, renewing unsettled conditions over Greece and Turkey. Meanwhile, high pressure systems will continue to influence western parts of the continenl and temperatures will change little during the next several days. Disturbances with rain will move east over the British Isles, the North Sea and southern Scandinavia.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	31
Accra	fair	33
Algiers	sun	22
Amsterdam	cloudy	13
Athens	sun	15
Atlanta	fair	14
B. Aires	fair	26
B.ham	cloudy	13
Bangkok	fair	33
Barcelona	fair	17
Beijing	cloudy	7
Belfast	drzzl	12
Belgrade	fair	10
Berlin	cloudy	7
Bermuda	fair	25
Bogota	shower	22
Bombay	fair	33
Brussels	cloudy	11
Budapest	hazy	9
C.hagen	drzzl	9
Cairo	fair	22
Cape Town	fair	23
Caracas	shower	30
Cardiff	cloudy	12
Casablanca	sun	21
Chicago	sun	2
Cologne	drzzl	10
Dakar	fair	29
Dallas	fair	13
Delhi	sun	26
Dubai	sun	30
Dublin	drzzl	14
Dubrovnik	fair	19
Edinburgh	rain	15
Faro	fair	21
Frankfurt	fog	8
Geneva	fair	11
Gibraltar	sun	20
Glasgow	rain	14
Hamburg	cloudy	10
Helsinki	shower	7
Hong Kong	fair	25
Honolulu	fair	28
Istanbul	fair	10
Jakarta	fair	31
Jersey	cloudy	14
Karachi	fair	32
Kuwait	fair	31
L. Angeles	sun	21
Las Palmas	sun	25
Lima	cloudy	23
Lisbon	shower	20
London	cloudy	14
Lux.bourg	drzzl	10
Lyon	cloudy	12
Madeira	fair	23
Madrid	fair	17
Majorca	sun	20
Malta	sun	22
Manchester	cloudy	14
Manila	cloudy	30
Melbourne	fair	22
Mexico City	fair	23
Miami	fair	27
Milan	cloudy	11
Montreal	fair	5
Moscow	sleet	2
Munich	fog	10
Nairobi	cloudy	25
Naples	sun	19
Nassau	fair	28
New York	fair	13
Nice	fair	17
Nicosia	shower	15
Oslo	rain	7
Paris	fog	12
Perth	fair	24
Prague	hazy	7
Rangoon	fair	34
Reykjavik	sleet	3
Rio	cloudy	23
Rome	fair	19
S. Frsco	sun	19
Seoul	fair	9
Singapore	shower	31
Stockholm	cloudy	10
Strasbourg	fog	12
Sydney	fair	24
Tangier	sun	21
Tel Aviv	shower	20
Tokyo	fair	13
Toronto	shower	5
Vancouver	rain	7
Venice	cloudy	13
Vienna	hazy	9
Warsaw	fair	8
Washington	sun	13
Wellington	shower	15
Winnipeg	snow	-3
Zurich	fog	10

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday November 23 1994

IN BRIEF

Investor lifted by Saab-Scania unit

Investor, the central holding company of Sweden's powerful Wallenberg empire, saw pre-tax profits surge in the first nine months, after a strong performance from Saab-Scania, its wholly-owned vehicle and aerospace unit. Page 24

La Corporación revamps zinc unit
La Corporación Banesto, the Spanish industrial group, is planning to recapitalise Asturiana de Zinc, the world's fourth-largest producer of zinc metal. Page 24

Scrutiny of Microsoft extended
The US Justice Department anti-trust division has extended its review of Microsoft's $1.5bn acquisition of Intuit, e leading publisher of personal finance software, potentially delaying the deal. Page 27

Price cuts hurt NTT
NTT, Japan's largest telecommunications company, suffered e 66 per cent fall in nonconsolidated recurring profits, largely because of price cuts in the long-distance call market. Page 26

Trygg-Hansa wants to leave Home alone
Trygg-Hansa, the Swedish insurer, would like to be rid of Home Holdings, its loss-making US associate. Home's share price more than halved between November 4 and November 17 and last week its senior debt was downgraded by Moody's. Page 27

LCH points to derivatives growth
Growth of exchange-traded derivatives products in London is set to exceed last year's total by nearly 50 per cent, according to figures released yesterday by the London Clearing House. Page 28

Economist wary of commodities
Commodities have seen huge price increases this year but a senior World Bank economist has dismissed the idea that they could be a long-term investment on a par with equities. Page 32

Abbey National's margins widen
A widening of margins in its retail banking business during the third quarter of this year was reported by Abbey National, the UK home loans and banking group. Page 29

Music and rentals help Thorn EMI up 27%
Strong performances by its main music and rentals divisions helped tha UK group, Thorn EMI, to lift interim pre-tax profits by 27 per cent. Page 29

Northern Foods declines 16%
Northern Foods warned that plant closures and job losses would force it to take a restructuring charge in the second-half as it reported a 26 per cent drop in interim pre-tax profits. Page 30

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Lahmeyer	860	+	12
Falls			
Asko	786	-	14
BHF Bank	398	-	7
CKAG Col Pr	780	-	40
Henkel	582	-	8.5
Schering	995	-	15

NEW YORK ($)			
Rises			
Walt Disney	43⅞	+	1⅛
Falls			
Brinker	17¾	-	3⅝
Caterpillar	53⅞	-	1
DuPont	58⅝	-	1⅛
Gen Elec	47⅝	-	½
Paine Webber	13⅝	-	1

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Andrews Sykes	107	+	7
Cosalt	154	+	18
Lowndes Lamb	168	+	9
McLeod Russell	117	+	10
Moran Hldgs	82	+	8
NSM	103	+	5
Parkside	95	+	4
SeaPerfect	131	+	6
Virtuality	201	+	17
Falls			
Apld Holograph	83	-	15
Brewin Dolphin	110	-	13
CML Micro	248	-	20
Filtronic Com	136	-	17
HSBC (HK)	722	-	33
ICI	781	-	22
Johnson Matt	565	-	9
Kewill Systems	244	-	32
Metrotect	81	-	9
Northern Foods	204	-	8
OMI	41½	-	3
RMC	988	-	17
Readicut	57½	-	4½
Redland	474	-	11
Seton Health	338	-	25
Tadpole	402	-	11
Thorn EMI	973	-	24

PARIS (FFr)			
Rises			
Danone	783	+	11
Ecco	880	+	12
Falls			
Accor	601	-	11
CCF	228.5	-	8.5
Legris	351	-	8.5
SILIC	680	-	20

TOKYO (Yen)			
Rises			
Ando Cons	575	+	20
Banyu Pharm	878	+	24
Falls			
Daishowa	735	-	38
Kurabo Ind	369	-	17
Marudai Fd	735	-	38
Obayashi	831	-	25

Downturn in theme parks more than offset by 43% rise in film sales

Films lift Disney to record

By Tony Jackson in New York

The success of Walt Disney's animated features, especially *The Lion King*, more than offset a downturn to theme parks to produce record fourth-quarter earnings of $226m, against e loss of $78m. Group operating profits, before losses in Euro Disney, were up 23 per cent at $439m.

For the first time in more than e decade, films made more profit to the full year than theme parks (excluding Euro Disney), et $856m versus $684m.

According to Disney, *The Lion King* is now established as its most successful feature ever, and is on track to be one of the five most successful films in history. In the final quarter, operating income from films almost doubled to $189m on sales up 43 per cent to $1.26bn.

Tha executive most credited with this result, Mr Jeffrey Katzenberg, made e highly public departure from Disney at the end of the financial year. His job as chairman of Walt Disney Studios has been divided among other Disney executives following a reorganisation.

Operating profits from theme parks (excluding Euro Disney) fell 18 per cent to $155m on sales 2 per cent higher. International tourist traffic was lower, the company said, and costs had been written off for the proposed Civil War theme park in Virginia, which Disney was forced to abandon in the face of widespread opposition.

The company said yesterday it was still contemplating a new theme park in Florida, but had yet to decide whether to go ahead or what the theme might be.

Profits from the consumer division, covering the merchandise of characters and books from the films, rose 33 per cent to $95m on sales up 36 per cent at $490m. This was also due chiefly to the success of *The Lion King*, Disney said.

For the year as a whole, operating profits from films rose 38 per cent on sales up 30 per cent to $4.8bn. Disney said the year had also been helped by the animated features *Aladdin* and *The Return of Jafar*, as well as by strong video sales of older features such as *The Jungle Book* and *Bambi*.

The share of losses in Euro Disney fell to $58m, from $415m, for the quarter and $110m ($515m) for the year. Earnings per share for the quarter were 42 cents, against a loss of 15 cents, and for the full year were $2.04, against 55 cents.

Full-year net income was $1.1bn compared with $300m.

Disney spent $920m on repurchasing 23m of its shares since May, with $512m of that coming in the final quarter. The board has now euthorised the repurchase of a further 90m shares, on top of the 14m still euthorised under the existing programme.

Pride and joy: the animated feature The Lion King (above) is Disney's most successful ever

BBV group leads in Spain's telecoms battle

By Tom Burns in Madrid

Cometa-SRM, a consortium led by Banco Bilbao Vizcaya (BBV) and by Vodafone, the UK telecommunications operator, has snatched the lead in e battle to obtain a GSM mobila service licence in Spain with e cash bid of Pta89bn ($688m). The rival group Airtel-ASR, which has the US telecoms company AirTouch as its main foreign partner, bid Pta85bn.

The two cash offers were well ebove the minimum Pta50bn established by rules of the tender and they were close enough to eech other to keep the final result of the contest, which will be announced before the end of the year, still open.

The competing consortia are required to make undertakings covering industrial investment, job creation and research and development, in addition to the cash offer.

The full details of the bids, which were delivered yesterday, will be examined under six broad headings and they will be awarded points under a adjudication system drawn up by the government and by its advisers, Lehman Brothers, the US bank.

The prize is a licence, as a second operator, to break into e mobile telephony market that is forecast to have a turnover of Pta210bn and 2m subscribers by 1998. The other GSM licence has been reserved for Telefónica, the government-controlled group which, as e result of the tender, now faces the first significant incursion into its domestic telecommunications monopoly.

BBV, a big Spanish retail bank, has e 30 per cent stake in Cometa-SRM and Vodafone has 23 per cent. Both companies sharply increased their initial stakes in the consortium after some of the bidding group's original shareholders withdrew at the last moment fearing the high level of investment that was involved.

DeTeMobil, e unit of Deutsche Bundespost Telekom, has 10 per cent of Cometa-SRM's equity and smaller shareholdings in the consortium are held by the domestic utilities Endesa, Sevillana and Iberdrola and by La Caixa, the Barcelona-based savings bank.

AirTouch has 16 per cent of the rival Airtel-ASR group and British Telecommunications, the second technological backer in the consortium, has a 7 per cent stake. The main financial partners in Airtel-ASR are the domestic banks Banco Santander and Banco Central Hispano, which share 27 per cent of the consortium's equity, and five regional savings banks which jointly own e stake of 16.7 per cent.

Vodafone results, Page 24

Finance terms stump merger of Johnson Matthey and Cookson

By Kenneth Gooding, Mining Correspondent

Johnson Matthey, tha precious metals group, and Cookson, the specialist industrialist materials concern, called off their merger last night saying they had been unable to agree financial terms. If successful the deal would have been the largest agreed merger in UK corporate history.

The merged companies would have had e market value of about £2.5bn ($4.1bn) and become part of the FT-SE 100 Index. One banker involved in the discussions said: "Both companies had a clear idea of their own worth and the gap between them was simply too wide. When it was obvious no deal could be done, we all went out for e friendly drink."

Following the surprise news, Johnson Matthey shares fell by 9p to 565p – the price they held before the companies confirmed negotiations were being held. Cookson's shares ended 2p up at 247p, from 251p before talks were announced.

A joint statement stressed that relationships remained "excellent". Johnson Matthey and Cookson have a new joint venture, Cookson Matthey Ceramics, the second-largest ceramics businesses in the world and an important element in the operations of both groups. They said they would "co-operate fully in the development" of CMC.

The statement from Mr Robert Malpas, Cookson's chairman, Mr Richard Oster, its chief executive, and Mr David Davies, chairman and chief executive of Johnson Matthey, added: "We looked fully into the ways in which a merger might fairly have rewarded shareholders on each side. Sadly, we were not able to agree a recommendation to our respective shareholders and so onr discussions have now ceased."

Bankers insist that newspaper "leaks" about the talks played no part in the eventual breakdown in negotiations.

Mr Richard Malthouse, Cookson's company secretary, said his company would probably send a note to its shareholders today which would include some indication about present trading conditions. Johnson Matthey is scheduled to announce its half-year results tomorrow.

Lex, Page 22

Strong demand for TeleWest places £1.8bn value on group

By Raymond Snoddy in London

Shares in the flotation of TeleWest Communications, were six timas subscribed and have been priced at 182p, valuing the UK cable television company at £1.8bn ($2.95bn).

During preliminary trading in London and New York yesterday, ahead of the issue of shares, there was strong institutional interest and deals were done at a modest premium with the price going up to 195p at one point before easing.

Mr Alan Michels, TeleWest chief executive, said he was pleased at the price and "real pleased that demand was equal between the UK and the States".

TeleWest, a 50-50 joint venture between TCI of Denver, the largest US cahle operator and US West, the regional telephone company, will be the first UK cable company to join the London Stock Exchange. Dealing is expected to begin in London and the Nasdaq exchange in New York on November 30.

The 182p pricing, or $28.50 per American Depositary Share, equals 10 ordinary shares. Of the £1.8bn valuation on the TeleWest's equity, £1.5bn is ordinary share capital.

The pathfindar prospectus suggested a price range of 165p and 190p with a total value for the company of between £1.61bn and £1.86bn. At the offer price the net proceeds are around £360m.

Commenting on the response, Mr Michels said: "The institutions now have a much better understanding of the cable commercial model. They know they are not going to get any income this year but I think wa are building a very valuable business."

It is not clear what impact the TeleWest float will have on the much larger flotation of British Sky Broadcasting. The satellite venture, in which Pearson, owner of the Financial Times, has a 17.5 per cent stake, has many more subscribers than cable and a larger revenue stream but less scope for offering services other than entertainment.

TeleWest has to spend a further £1bn to complete its UK networks and is unlikely to be profitable before 1998.

The company owns and operates 16 cable franchises while affiliated companies own a further seven.

Barry Riley

Waking up to the pension scheme threats

Here is a warning to European finance directors: beware of representatives of AMP Asset Management offering you a computer disc to check the prospects for your company pension scheme. The results could upset you. The self-testing disc comes with a report called *The Threats to Company Sponsored Pension Provisions in Europe** which is equally careless of its readers' peace of mind. Probably the threats are overdone, but it is clear that many European companies have grown complacent about their pension costs.

Only a few European countries have large numbers of funded company schemes. The UK and the Netherlands feature separate corporate funds invested mainly in securities, while Germany maintains e book reserve system in which the liabilities are usually financed through the balance sheet. Schemes also exist in Switzerland and Ireland.

Elsewhere in Europe unfunded state schemes predominete. These are coming under immense pressure from social and demographic changes; the big French industry-wide *repartition* schemes are in heavy deficit, and unaffordable pensions promises are at the centre of the Italian budget crisis.

How will the pressures which are undermining state systems affect company schemes? The report focuses on 15 company schemes in the UK, the Netherlands and Germany, plus e Dutch industry-wide fund.

Raising the costs of company schemes are demographic factors, including longer life expectancy and fewer younger employees, together with pressures for early retirement.

Second, there is the likelihood that governments will try to offload state pensions liabilities on to employers – for instance, through compulsory contributions – while at the same time corporate taxes may be increased to help solve budget problems. The UK government has already made one raid on pension funds by modifying their dividend tax exemptions last year.

Finally, there are the investment risks. Returns were unsustainably high in the 1980s and have tailed off. This might even be the start of an offsetting period of poor returns. If inflation stays low, pension funds can live with low nominal investment returns. But the great days of big surpluses and contribution holidays will have to end.

Many European companies have grown complacent about their pension costs

In the US companies have been distancing themselves from these threats by switching from defined benefit to defined contribution structures (which now account for almost 60 per cent of corporate pension plan assets). Not only is the investment risk transferred to employees but it is much harder for companies to be forced through retrospective legislation to pay for upgraded benefits (such as pensions for unmarried partners).

Why is AMP adopting scare tactics? It would like to break into the pension fund management business in Europe, and it no doubt has an interest in upsetting the the status quo. But as a subsidiary of the antipodean insurance giant Australian Mutual Provident it also has an actuarial input on the impending pensions crisis.

Australia has implemented a Superannuation Guarantee Charge, a compulsory employer pension fund contribution that will rise from 3 per cent to 9 per cent of pay (12 per cent including employee contributions) by 2002. In the UK, the Labour Party's Social Justice Commission has just proposed compulsory payments into second-tier funded schemes, and the National Association of Pension Funds has warmed to the same theme.

In these circumstances companies running their own pension plans would face a progressive loss of control of the funding costs and benefit structures of the schemes. According to AMP, they should watch developments very closely and consider switching to defined contribution funding or to external providers.

There is an element of special pleading in this report. Insurance companies are, after all, keen to recapture some of the company pensions business they have lost over the past 40 years. But AMP is right to argue that now is the time for companies to stop being complacent about their pension costs and start to worry.

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INTERNATIONAL COMPANIES AND FINANCE

Improved Saab-Scania boosts profits at Investor

By Christopher Brown-Humes in Stockholm

Investor, the central holding company of Sweden's powerful Wallenberg empire, saw pre-tax profits surge to SKr2.28bn ($311m) in the first nine months, after a strong performance from Saab-Scania, its wholly-owned vehicle and aerospace unit.

The result, which compares with a SKr156m profit in the same 1993 period, came after Saab-Scania rebounded to a profit of SKr2.18bn after financial items, from a SKr362m loss.

Saab-Scania's performance has been driven by higher sales and earnings from its Scania truck and bus division. These offset falling sales and increased losses at Saab Aircraft & Defence.

Investor, which apart from Saab-Scania has strategic holdings in leading Swedish companies such as Astra, Ericsson, Stora and Electrolux, said the value of its investment portfolio on September 30 was SKr28.9bn, down 1 per cent from the start of the year after adjusting for net changes.

The group expanded its portfolio through the purchase of its Export-Invest stablemate earlier this year.

The result included SKr710m in capital gains and SKr477m in dividend receipts. Shares were sold for a net SKr852m.

The group's net worth amounted to SKr40.5bn, or SKr203 a share, on September 30 against SKr37.5bn, or SKr206, at the start of the year. Net debt has fallen to SKr4.61bn from SKr4.85bn.

Saab-Scania saw sales climb to SKr22.2bn from SKr17.6bn, while operating income after depreciation soared to SKr2.32bn from SKr108m.

The star performer was Scania, where sales jumped 34 per cent to SKr18.8bn and operating income after depreciation rose to SKr3.45bn from SKr311m. Sales of trucks and buses rose 28 per cent to 23,500 units, helping the division to lift its share of the west European truck market to 12.9 per cent from 11.7 per cent.

Orders rose 61 per cent in volume terms, to 29,100 trucks and buses.

Saab Aircraft & Defence was dragged to a deeper operating loss of SKr242m from SKr227m, mainly because of lower sales of commercial aircraft. Saab Aircraft, which manufactures Saab 340 and Saab 2000 regional airliners, saw sales drop to SKr881m from SKr1.35bn, while orders fell to SKr395m from SKr667m.

La Corporación revamps unit

By Tom Burns in Madrid

La Corporación Banesto, the Spanish industrial group, is planning to recapitalise Asturiana de Zinc, the world's fourth-largest producer of zinc metal.

Analysts believe this is a preliminary step towards La Corporación reducing its majority stake in the company.

La Corporación, owned by Banco Español de Crédito (Banesto), has told the Madrid stock exchange commission it intends to re-adjust Asturiana's balance sheet, by first reducing the company's capital by Pta15.4bn ($119m). It will then, through a debt-to-equity conversion, inject fresh funds of Pta15bn in a rights issue which will be wholly-subscribed by La Corporación.

La Corporación will pay above market price for Asturiana's new shares: in any event, it will not pay less than Pta1,600, compared with the current trading price of just over Pta1,500. The deal will raise its holding in the company from 51 per cent to around 55 per cent.

Analysts said the financial engineering would significantly strengthen the zinc company's balance sheet by reducing its debt from Pta31bn to Pta16bn. Also, an upturn in zinc prices indicates Asturiana is set to increase profitability. It is expected to turn forecast losses this year of Pta3.2bn into profits of Pta2.5bn next year, and of Pta7.9bn in 1996.

La Corporación realised Pta1.6bn in September when it sold 23 per cent of its shareholding in Asturiana to some 30 international and domestic institutions at Pta1,500 a share.

Analysts believe it will begin making similar block trading disposals next year as the value of Asturiana rises, and could eventually withdraw altogether from the company.

UAP in accord for younger staff

By Andrew Jack in Paris

Union des Assurances de Paris, one of France's largest insurance companies, yesterday announced a labour contract with the government so that it can take on younger people.

The group said its workforce was too old – with an average age of between 35 and 45 – and it wanted to employ younger people. About 250 of the existing staff will be going part-time and the remaining 150 will take on more flexible hours.

UAP, privatised earlier this year, will hire 400 new staff next year, including large numbers of long-term unemployed, while placing an equivalent number of staff on part-time and flexible contracts.

The accord, signed by Mr Jacques Friedmann, UAP's chairman, and Mr Michel Giraud, the French minister of labour, will require the state to pay up to 30 per cent of the salary of those working part-time for up to five years.

In exchange, some 40 per cent of those hired by UAP during 1995 will have been unemployed for more than one year, and aged over 50. The rest will be younger than 30.

Overseas costs erode growth at Vodafone

By Alan Cane in London

Vodafone, the UK market leader in cellular phones, returned better than expected *interim profits in spite of the* impact of fraud and international losses.

Pre-tax profits were £186.4m ($292.5m) against forecasts of between £175m and £186m and 7 per cent ahead of last year's £174.5m. Turnover rose 44 per cent to £560.7m from £389.8m last year. Earnings per share were 3.92p against 3.90p in 1993 after adjustment for the July 1994 capitalisation issue.

The interim dividend was raised 20 per cent to 1.64p, reflecting the underlying growth of the business, according to Mr Ken Hydon, financial director.

He said the company had continued to develop its operations overseas. Strong growth in the UK had been substantially offset by increased start-up costs overseas, amounting to £40m in 1993 against £19m last year.

In the UK, the number of subscribers rose by 263,000, an increase of 140 per cent over growth in the same period last year.

Vodafone has more than 1.45m subscribers connected to the network, but the "churn" rate – a measure of the proportion of subscribers who leave the network – rose from 21.5 per cent to 26.5 per cent. The company said much of the churn was the result of fraud, which had cost the company some 1 per cent of UK turnover in addition to ordinary bad debts, also about 1 per cent of turnover.

It blamed sub-dealers, acting between clients and retailers, who secured commissions on the connection of phantom customers to the network. Other causes included cloning or re-chipping of cellular phones, still legal in the UK.

Vodafone operates overseas through associates, subsidiaries and trade investments. So far, only the operations in Hong Kong and Malta are profitable. Start-up costs could be as large again in the second half.

Lex, Page 22

Sorting out problems at Home

Trygg-Hansa has a thorn in its US side, writes Christopher Brown-Humes

When Mr Lars Thunell took over as chief executive of Trygg-Hansa, the Swedish insurer, three weeks ago, he knew his priority would be sorting out the group's troubled relationship with its loss-making US associate, Home Holdings.

What he did not know was how quickly those problems were to intensify. Home's share price more than halved between November 4 and November 17, and last week the group's senior debt was downgraded by Moody's. Trygg's own share price fell 8 per cent last week.

Trygg-Hansa bought into Home, a company more than twice its size, in 1991 to help it become one of the world's leading industrial and commercial insurance groups. The Swedish group holds 64.5 per cent of Home's capital and 47.2 per cent of its votes.

Home is one of the largest US property and casualty insurers, with 1993 gross premiums of $2.42bn. Professional liability is a particular speciality, and the group ranks as the market leader in insurance for lawyers.

The US group has run into deep problems, the chief of which has been its exposure to long-tail environmental and professional liability claims. These have forced it to strengthen its reserves by $465m over the past two years. Its difficulties this year have been compounded by high leverage, rising US interest rates, intensifying competitive pressures, and earthquake and cold-weather losses.

Nine-month figures from Home and Trygg reflect the impact. Home suffered a $131m loss for the period, after reserve-strengthening of $175m, and Trygg was hit by SKr1.4bn ($190.9m) in Home-related losses, dragging it to an overall deficit of SKr1.76bn.

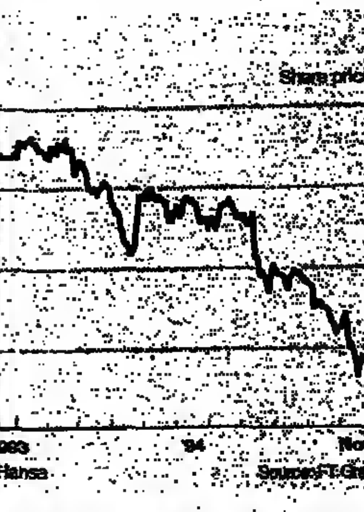
Ideally, Trygg would like to be rid of Home, or at the very least, substantially reduce its ownership. Mr Thunell says Trygg should concentrate on what it does best – that is, its successful life and non-life business in Sweden. This differs from the internationalist approach of his predecessor, Mr Björn Sprängare, who was forced to quit the company during the summer, partly because of the problems at Home.

However, untangling itself from Home is not proving easy. Last December, Home launched an initial public offering aimed at reducing its leverage and cutting Trygg's ownership sharply.

The offer, however, raised less than half the $355m originally sought and Trygg was left with a far higher stake in the company than it wanted. Since then, it has tried to find a partner willing to take some of Home off its hands, but the search has proved fruitless.

The problems have been crystallised by Home's need to strengthen its balance sheet following its latest reserve-strengthening. It wants to raise $250m in new capital through an equity or debt issue, or a bank credit. Trygg has also said it is willing to convert some or all of a $170m loan to Home to equity.

Lars Thunell
Chief executive of Trygg-Hansa



The trouble is that the collapse in Home's share price – down to $4.25 early yesterday from a listing price last December of $17 – and the Moody's downgrading have made the refinancing task more difficult.

Moody's said its decision to cut Home's senior debt rating to Ba2 from Baa3 reflected "continued adverse loss development in Home's long-tail lines of business, such as professional liability, and from environmental, asbestos, and breast implant litigation". It also warned that Home might have to strengthen its reserves still further.

This leaves Trygg with a dilemma. If Home cannot refinance itself any other way, does it bail out its US associate in the hope that the group's performance *picks up* and it can sell out at an acceptable price in the long term? Or does it reduce its commitment and leave the Home to sort out its own affairs? There are other possible solutions, including a sale by Home of some of its operations.

Trygg executives say the worst-case scenario would be for Trygg to write off its entire investment in Home, a move which would reduce Trygg's solvency ratio to around 80 per cent from 132 per cent.

"We have no more obligations apart from some minor reinsurance commitments," said Trygg. The current value of Home's equity in Trygg's books is SKr2.16bn and the debt SKr1.33bn.

Analysts, however, warn that if Trygg does try to walk away, it could face lawsuits from disgruntled policyholders and shareholders.

The situation is going to require all of Mr Thunell's expertise in crisis management – expertise gleaned while he was president of Securum, the asset management group set up last year to handle the failed loans of Nordbanken, the biggest casualty of Sweden's 1992 banking crisis.

Mr Thunell knows Trygg can *ill-afford* another blow to its reputation after the huge losses it suffered following the collapse of Gota AB and Svenska Kredit in 1992.

He also knows Trygg cannot afford the distraction of Home when it needs to concentrate on the Swedish domestic market, where competition is intensifying.

Cost-cutting sustains recovery at OMV

By Ian Rodger in Zurich

OMV, the Austrian integrated petroleum and chemicals group, reported a Sch123m ($11.2m) pre-tax profit in the third quarter, as its recovery from two years of losses continued, driven mainly by cost-cutting. The company recorded losses of Sch190m for the same period last year.

Sales at the partially-privatised group rose 8.6 per cent to Sch21.07bn, reflecting "slightly improved" overall market conditions. However, the exploration and production sector remained in loss due to low crude oil prices and a weak dollar.

The directors said they remained confident the group would achieve a profit in the full year.

The gas division was once again the largest contributor to earnings, with third-quarter pre-tax profit almost unchanged at Sch320m. Turnover was up 10 per cent to Sch1.74bn.

The refining division saw its lowest margins since 1989, with sales down 1.5 per cent to Sch11.7bn, mainly because of lower prices for oil products. The division posted profit of Sch70m profit, 12.5 per cent lower than in the third quarter of 1993.

Profit in the marketing division was down nearly 20 per cent to Sch130m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 23.11.94: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.23	10.04	10.04
0100	9.24	16.45	18.02
0130	9.70	19.16	21.72
0200	9.29	19.18	21.72
0230	9.20	19.18	21.72
0300	9.06	16.48	18.02
0330	9.06	16.48	19.02
0400	9.01	16.48	19.02
0430	9.01	10.02	10.02
0500	8.19	9.22	9.22
0530	9.06	9.35	11.59
0600	9.06	9.22	9.22
0630	9.21	18.22	21.76
0700	10.09	22.57	25.41
0730	30.54	23.25	25.79
0800	31.23	23.25	25.79
0830	31.23	23.30	25.85
0900	31.25	27.74	30.30
0930	35.38	32.04	34.82
1000	35.39	32.07	34.67
1030	35.38	32.07	34.67
1100	35.38	32.07	34.86
1130	35.38	32.08	34.86
1200	35.39	32.10	34.71
1230	35.55	32.06	34.88
1300	35.36	32.01	34.58
1330	35.37	29.17	31.72
1400	31.24	29.15	31.70
1430	31.24	29.14	31.89
1500	31.24	33.00	35.55
1530	31.25	33.05	35.52
1600	31.89	36.54	39.34
1630	57.11	34.62	36.65
1700	89.19	77.89	87.57
1730	124.56	86.25	100.47
1800	114.85	96.39	107.66
1830	57.13	76.02	84.06
1900	44.01	52.01	57.41
1930	41.21	41.89	45.23
2000	38.03	37.37	40.21
2030	37.86	36.31	38.58
2100	31.23	29.91	32.46
2130	31.22	23.29	25.83
2200	31.22	23.26	25.80
2230	29.59	23.25	25.79
2300	30.70	23.25	25.79
2330	9.29	23.25	25.79
2400	9.20	10.02	10.02

Prices are determined for every half-hour in each twenty-four hour period. [illegible]

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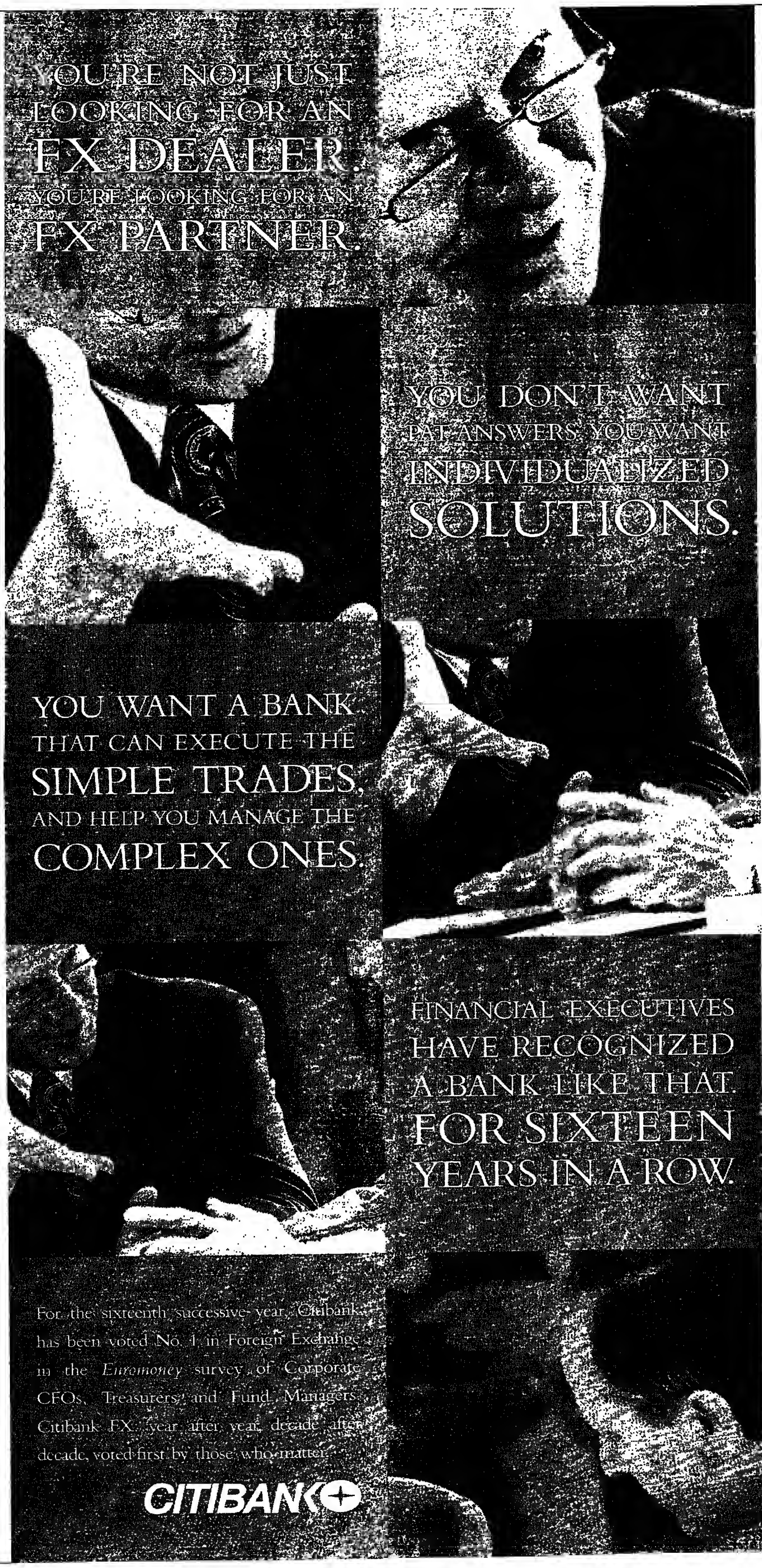
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LOOKING FOR AN
FX DEALER.
YOU'RE LOOKING FOR AN
FX PARTNER.
YOU DON'T WANT
PAT ANSWERS. YOU WANT
INDIVIDUALIZED
SOLUTIONS.
YOU WANT A BANK
THAT CAN EXECUTE THE
SIMPLE TRADES,
AND HELP YOU MANAGE THE
COMPLEX ONES.
FINANCIAL EXECUTIVES
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FOR SIXTEEN
YEARS IN A ROW.
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CITIBANK

Price cuts take their toll on NTT profits

By Michiyo Nakamoto in Tokyo

NTT, Japan's largest telecommunications company, suffered a 66 per cent fall in non-consolidated recurring profits – before extraordinary items and tax – in the first half, largely as a result of price cuts.

NTT, which was listed in New York and London this year, said sales dropped 2 per cent to Y2,856.7bn from a previous Y2,911.6bn mainly because of significant price cuts on long-distance calls, where NTT faces growing competition from recently established telecoms companies. Recurring profits fell to Y35.5bn ($360m) from Y103.9bn.

A maximum price cut of 10 per cent was introduced on the longest routes, depressing first-half revenues by Y95bn. This was an improvement, however, on the Y135bn impact the company had forecast.

Sales of equipment, such as phones for business and home users, were also lower because of tough competition, although sales of facsimile machines increased.

NTT saw its cost base rise in its telecommunications business as it spun off various businesses which had been conducted in-house, and depreciated fixed assets such as digitalised switches and fibre-optic cables being introduced in preparation for advanced communications services.

NTT expects increased competition in the long-distance sector will continue to affect results in the second half. The company is planning to apply to the ministry of posts and telecommunications for a rise in basic telephone charges.

Revenues for the full year are expected to rise to Y5,826bn from a previous Y5,809bn, helped by revenues from prepaid telephone cards which are expected to total Y72.4bn.

Costs, however, are forecast to rise by about Y5bn in the second half as a result of a voluntary retirement programme and higher depreciation costs, taking recurring profits down to Y104bn from a previous Y109.5bn. Net profits are forecast at Y45bn against Y41.4bn.

Slack fuel demand hits Japan's gas companies

By Emiko Terazono

Japan's gas utilities were hit by sluggish demand for fuel during the exceptionally hot summer and a cut in charges in order to pass on the benefits of the strong yen to consumers.

The companies reported sharp falls in household demand as families refrained from cooking hot meals due to the record temperatures, and overall use of hot water fell.

Tokyo Gas, Japan's largest city gas supplier, fell into the red, posting a half-year recurring loss – before extraordinary items and tax – of Y4bn ($40m), on a 5.7 per cent decline in sales to Y347bn. The company reported after-tax losses of Y4bn. Gas sales to households plunged 10.2 per cent while the rate cut hit sales by Y9.3bn.

For the full year to next March, the company, which has more than 7.5m customers mainly in Tokyo and five prefectures, expects a 25.9 per cent fall in recurring profits to Y27bn on a 2.9 per cent decline in sales to Y802bn.

Interim recurring profits at Osaka Gas dropped 88.5 per cent to Y1.3bn while sales fell 4.2 per cent to Y274.3bn. After-tax profits plunged 83.6 per cent to Y948m. Sales of gas to households fell 10.8 per cent, while industrial demand rose 8.7 per cent dus to an increase in usage of gas-fuelled air conditioning.

For the full year to next March the company expects an 18.1 per cent decline in recurring profits to Y31bn on a 2.9 per cent fall in sales to Y621bn.

Osaka Gas is Japan's second largest city gas supplier, servicing more than 5.5m customers mainly in Osaka, Kyoto and Kobe.

Heatwave warms electricity profits

By Emiko Terazono in Tokyo

Interim profits at Japan's electric power companies were supported by the surge in electricity demand due to the heatwave which hit the country in the summer, and the economic recovery.

A rise in electricity demand for air conditioning helped the nine leading electric utilities, excluding Shikoku Electric Power, to post strong increases in recurring profits – before extraordinary items and tax. The companies were hit last year by an unusually cold summer and cuts in electricity charges.

Lower fuel costs due to the yen's appreciation compensated for depreciation charges and lost income from further electricity rate cuts. Lower interest rates helped cut debt service payments.

Interim results to September 1994 (Ybn)

Company	Sales	Change on year (%)	Recurring profit*	Change on year (%)	Net profit	Change on year (%)
Tokyo	2,522.0	+7.4	98.9	+68.9	54.2	+112.2
Kansai	1,299.9	+7.8	61.3	+25.0	36.8	+72.0
Chubu	1,033.4	+4.9	47.7	+23.9	24.7	+39.6
Tohoku	707.7	+8.7	38.6	+29.3	23.1	+70.9

* before extraordinary items and tax. Source: company reports

Tokyo Electric Power said record temperatures led to a 10.3 per cent rise in the company's total electricity sales volume.

The further cut in charges squeezed the company's earnings by Y46.4bn ($471m), but an increased sales volume covered the loss.

For the second half, the company expects the cut in electricity fees will affect its sales by Y44bn, but forecasts full-year sales to rise 4.8 per cent to Y4,950bn on a 15.7 per cent increase in recurring profits.

Kansai Electric Power saw its first increase in industrial demand in three years. Total electricity sales volume rose 10.2 per cent, the first double-digit increase since 1973.

For the full year to March, the company forecasts a 17.8 per cent increase in recurring profits to Y130bn on a 5.4 per cent rise in sales to Y2,500bn.

Chubu Electric Power said household demand for electricity rose 14.2 per cent and industrial demand increased by 2.9 per cent.

The company rsvised upwards its initial full-year forecast. It now sees recurring profits rising 11 per cent to Y90bn on a 3.3 per cent increase in sales to Y2,020bn.

Electricity sales volume at Tohokn Electric Power grew 9.1 per cent. The company posted a sales and profit rise for the first time in three years.

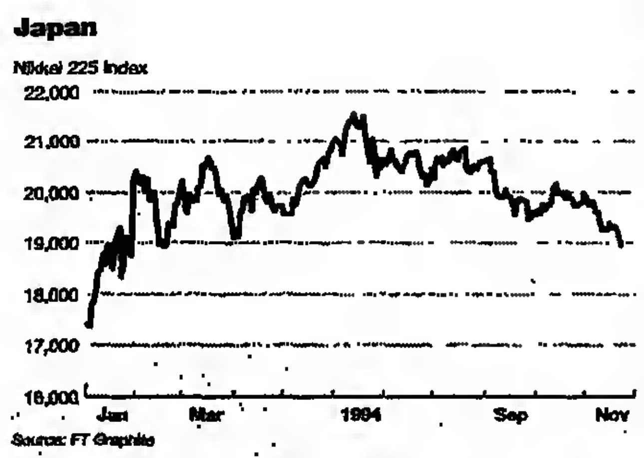
For the full year, the company forecasts sales to rise 4.2 per cent to Y1,400bn on a recurring profit increase of 8 per cent to Y85bn.

Jitters on the Japanese stock market

Investors fear the Nikkei index may drop even further, writes Emiko Terazono

When the Nikkel index slid below 19,000 to a nine-month low yesterday, there were renewed fears that further weakness in the Tokyo stock market would harm the fragile recovery in Japan's ecomony currently being revealed by companies' interim earnings.

The immediate cause of the decline has been the recent sharp fall in Wall Street and Sony's announcement last week that it was writing Y265bn ($2.7bn) off the value of its US movie subsidiary. The consumer electronics company's share price has fallen hy 11.7 per cent in the past three days, dragging down the whole market.



There have also been lingering fears over the health of the country's banks. Worries about the stability of Jepan's financial system hit the stock market this time last year following the banks' poor half-year results, and some investors, expecting another set of poor results, ars taking profits ahead of the banks' earnings announcements over the next two days.

The market's current decline started back in June when the Nikkel index stood at around 21,000 and when overseas fund managers, who had been aggressive huyers early in the year, called a halt.

Many of the overseas investors had initially hoped that aggressive deregulation of many Japanese industries, rigorous restructuring by some companies, and hopes of an easing of short-term interest rates by the Bank of Japan, would boost the economy and lead to a general rise in share prices. But, says Mr Alex Kinmont, s strategist at Morgan Stanley in Tokyo, "these reasons for owning stocks did not materialise".

Domestic institutional investors bave heen constrained from sharply increasing their share holdings. Banks, which need to offset their losses on bad loan write-offs, have been selling their long-term holdings.

Retail investors have been virtually absent from the stock market since the Nikkei average started its tumhle in 1990, soon after reaching an all-time high of nearly 39,000 in December 1989.

Although some analysts have hoped that a rally led by retail investors similar to that of the UK and US a few years ago would pluck the stock market from its current slump, the small private investors have, in fact, looked for safety with bank deposits.

Some analysts believe that share prices will not rebound without a "selling climax", allowing prices to fall to a point where investors regard the shares as fair value; others, however, are worrisd that further selling could push the market into free-fall.

See World Stock Markets

Thai group seeks to raise $80m in IPO

By Victor Mallet in Bangkok

Advance Agro, the pulp and paper subsidiary of the Soon Hua Seng group of Thailand, is seeking to raise more than $80m through an initial public offering next month to help finance a $650m pulp and paper mill on Thailand's eastern seaboard.

Executives from Advance Agro and Barclays de Zoete Wedd, the international lead manager for the offering, are currently on an internatiooal roadshow to publicise the IPO.

SHS, a leading agro-industrial group which trades rice, tapioca and other products, is offering one-tenth of the enlarged capital of Advance Agro, or 36m shares, to the public at an estimated Bt55 to Bt60 a share, depending on the outcome of the book-building process.

About 30 per cent of the new shares will be allocated to foreign investors.

A further 19m shares have been sold to the project's main financial backers – Bangkok Bank, Thai Farmers' Bank, Krung Thai Bank, and the Commonwealth Development Corporation – at Bt40 a share.

The new pulp and paper mill is expected to begin production in early 1996 and is designed to meet the growing demand for paper in Thailand snd the region.

Advance Agro intends to focus on the domestic market hut could export up to one-fifth of its output to China, Singapore and Hong-Kong.

Mr Yotbin Dumnerncbanvanit, managing director, said: "Demand for paper in Thailand and throughout the Asia Pacific region is increasing by more than 10 per cent a year.

"Per capita consumption of paper in Thailand is only about 30kg per year, compared to more than 200kg per year in Singapore, Japan and the US, indicating huge future growth potential for the market."

The new plant will generate its own electricity and produce up to 175,000 tonnes a year of hleached eucalyptus kraft pulp. It will supply its own paper mill, with a capacity of 217,200 tonnes of coated and uncoated printing and writing paper, and that of its existing wholly-owned suhsidiary Hi-Tech Paper, which operates a 41,000-tonnes a year paper mill.

Wesfarmers, MRI in venture

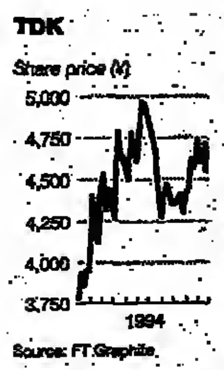
Wesfarmers, the Australian diversified rural services and resources group, said yesterday it had entered a joint venture with Medical Research International to look at coal-related projects in China, writes Nikki Tait.

MRI is a vehicle for Mr Oei Hong Leong, the Hong Kong-based entrepreneur. It recently announced that it would head a consortium to build a A$1.2bn (US$90m) coal slurry pipeline in China.

Wesfarmers and MRI said they had last month met Mr Wang Shenghao, China's minister for coal, to "explore opportunities for co-operative coal-mining ventures in China".

NEWS DIGEST

TDK recovers in first half with 39.8% increase



TDK of Japan, the world's largest maker of magnetic tapes and a leading producer of floppy discs, yesterday signalled that it was pulling out of a three-year profits decline, writes William Dawkins in Tokyo. A revival in demand for electronic components from US and Asian computer industry customers more than offset the continuing weakness in Japanese demand, to fuel a rise in current profits – before tax and extraordinary items – of 39.8 per cent to Y12.19bn ($124m) in the six months to September.

The computer products improvement has continued in the current six months, dus to stronger-than-expected demand for magnetic heads for hard disk drives because of the expansion in personal computer sales. As a result, TDK forecast full-year profits would rise by 41.2 per cent to Y20bn, above analysts' expectations.

Overall sales, however, rose only a fraction in the first half, to Y172.65bn from Y172bn a year earlier, hampered by cost reductions. TDK expects full-year sales to rise to Y343bn from Y334.61bn last year.

Turnover was also held back hy weak demand for recording tapes, which represent more than a third of TDK's business.

Sales of recording media fell by 4.9 per cent to Y64.5bn in the first half, while turnover in electronic materials and parts rose hy 3.1 per cent.

TDK's main cost-cutting technique, like many other Japanese producers of low-margin goods, has been to shift production to cheaper locations in Asia and Europe.

Accor Asia Pacific puts trust float plans on hold

Accor Asia Pacific, in which ths French Accor hotels group is a shareholder but which is quoted separately on the Australian stock market, yesterday put plans to float a "tourism trust" on hold, writes Nikki Tait in Sydney.

Accor Asia Pacific, which operates more than 60 hotels in the Asia-Pacific region, hlamed poor stock market conditions for the move. The Australian All-Ordinaries Index yesterday closed 31.8 points lower at 1,877.7, a 15-month low.

The "tourism trust" plan was unveiled in September, when Accor said it would issue units to institutional investors, with a view to listing the trust – likely to be valued at around A$200m (US$151.5m) – on the stock market shortly afterwards.

The trust was to have held three- and four-star properties in Australia and New Zealand, and would have been managed by a group including AAPC.

Initially, the trust was expected to include about 21 properties, mainly operating under the Ibis and Novotel brand names.

Units in the trust were to be marketed to institutions in Europe, Australia and the US.

Woolworth says profits outlook 'encouraging'

Woolworth, Australia's second largest retailer, said yesterday that sales and profits in the current year were slightly ahead of budget, and that the outlook for the full year's profits was "encouraging", writes Nikki Tait.

It said that the 10.2 per cent same-store sales increase for the first quarter, to end-September, had continued in ensuing weeks.

However, Mr Paul Simon, chairman, warned at the company's annual meeting that Australia's current drought could partly offset the benefits of continuing economic growth, both in terms of the supply and price of products. He stressed that the company had no plans to make a big acquisition or move into Asia as a retail force. However, he said Woolworths hoped to build links with Asian retailers via a consultancy role, and as a supplier of fresh food and vegetables.

Pacific BBA shares drop on profits revision

Shares in Pacific BBA, which was spun off on the Australian stockmarket hy the UK's BBA group in 1993, fell 13 cents to A$3.35 yesterday, after the company said that profits for the year to end-1993 and the half-year to June 1994 had been overstated because of accounting irregularities in one of the plastics businesses, writes Nikki Tait.

It said the overstatement amounted to just under A$3m (US$2.3m) in after-tax profits, "resulting from a number of accounting entries apparently designed to hide losses on some contracts in the Viscount tool room and inflate profits in the plastics operation".

Titan Wheel buys into three Italian companies

Titan Wheel International, the Illinois-based company which is the world's largest producer of wheels for agricultural and construction equipment, has announced its first significant acquisition in Europe, writes Andrew Baxter in London. Titan, which went public on ths New York Stock Exchange last year, paid L15bn ($9.4m) for 50 per cent of the Italian wheel companies Sima, Sirmac and AGM. Titan has an option to buy the remaining shares for at least another L15bn.

Mr Maurice Taylor, Titan's president and chief executive, said the deal was likely to be followed by further strategic acquisitions, which ultimately would create a specialist European wheel and tyre group with sales of about $300m.

The Milan-based Sirmac/Sima Group has been badly hit hy the recession in European farm and construction equipment markets, and has been losing money, but according to Titan has one of the best wheel factories in the world.

Mr Taylor says the deal would allow Titan to offer a better service to its international customers. The Italian companies would probably be combined initially with Titan's UK manufacturing and distrihution centre, hased in Merseyside.

The deal comes four months after Titan bought the Pirelli Armstrong factory at Des Moines, Iowa, which claims 70 per cent of North American farm tyre sales.

Together, the Italian and US takeovers will give Titan annualised sales of $700m, compared with $150.4m last year. Titan expects to establish a European business headquarters in the UK as its expansion proceeds.

Tobacco company ahead

Scandinavian Tobacco Company, in which BAT of the UK, holds a 32.1 per cent stake, reported net profits of DKr987m ($154m) for the year ending June 30 1994, up 5 per cent on the previous year's DKr892m, writes Hilary Barnes in Copenhagen. Sales rose hy 1.6 per cent to DKr13.76bn from DKr13.54bn, of which about DKr6.6bn arose from the Dagrofa general wholesale and retail group and the rest from tobacco products.

INTERNATIONAL COMPANIES AND FINANCE

Review of Microsoft's Intuit purchase extended

By Louise Kehoe in San Francisco

The US Justice Department anti-trust division has extended its review of Microsoft's $1.5bn acquisition of Intuit, a leading publisher of personal finance software, potentially delaying the deal.

The acquisition plan was submitted to the Justice Department last month for a routine 30-day review. Microsoft acknowledged yesterday, however, thet it had received a "second request" for information from the Justice Department, extending the review beyond the normal deadline.

"Wa believa this is an indication of the commitment of the Department to thoroughiy review [the transaction]," Microsoft said. "Wa remain confident it will be approved."

Microsoft declined to comment, however, on what aspects of its plan were being qnestioned.

Competitors fear the deal could allow Microsoft, the world's largest software company, to achieve a dominant position in the emerging market for on-line financial services. Microsoft already leads in several other PC software segments. It holds an estimated 80 per cent share of the market for operating system programs that control the basic functions of a PC.

Intuit is one of the few companies to have competed directly with Microsoft and won. Intuit's Quicken program is used by about 6m PC owners, or 75 per cent of all "active personal finance users", according to Intuit. Microsoft's competing Money program has captured only a tiny share of the market since it was introduced two years ago.

In an attempt to avoid anti-trust problems, Microsoft has agreed to divest its Money program to Novell, another software company, for undisclosed terms.

A broad anti-trust investigation this year of Microsoft's busineas practices was concluded when the company agreed to change the way it licenses software to PC manufacturers. As part of that agreement, Microsoft was placed under the scrutiny of US and European competition authorities for six-and-a-half years.

McDonald's to spend $650m on expanding European chain

By Vincent Boland in Vienna

McDonald's, the US fast-food group, is planning a big expansion of its restaurant chain in central and eastern Europe by the end of the decade, in spite of what it says is a shortage of entrepreneurs in the region able to take on franchises.

The company says it will spend up to $650m in increasing the number of outlets from 60 to 500 by the year 2000. Most of the new restaurants will be in central Europe, with about 20 per cent in the former Soviet republics.

Mr Andreas Hacker, managing director of McDonald's Central Europe, said yesterday the company was still relatively unknown in central and eastern Europe. He added it was having difficulty finding franchise partners because "we are looking for a type of entrepreneur that is basically non-existent in these countries".

He said potential franchisees must be familiar with products, quality control, staff management, and "how to give a TV interview".

Only 25 per cent of the 60 outlets in the region are owned by franchisees, compared with 80 per cent worldwida. Mr Hacker said the ratio of franchised to company-owned outlets in the region would fall as the brand name became more familiar and more suitable entrepreneurs emerged.

McDonald'a yesterday announced an agreement, initially worth $500,000, with ICL, the UK computer company, to supply computer services to link newly-opened outlets to its regional beadquarters in Vienna.

McDonald's bas invested about $100m in central and eastern Europe to date.

It has 23 outlets in Hungary, 12 in the Czech Republic, 18 in Poland and one in Slovenia.

It also has three restaurants in Serbia, and another three that have been closed because of the UN embargo on the country will be re-opened when the blockade is lifted, Mr Hacker said.

Czech utility to launch eurobond

By Nicholas Denton

CEZ, the Czech electric utility, will become the first east European corporation to launch a eurobond next week, marking the region's growing access to international debt markets.

J. P. Morgan, the lead manager, is marketing the $150m five-year issue on a roadshow and is expected to begin selling next Monday or Tuesday.

A rating of BBB-minus from Standard & Poors and CEZ's status as the only investment-grade east European borrower point to aggressive pricing at about 100 basis points above treasuries.

CEZ is a special case in being the largest quoted company in central eastern Europe, with a markat capitalisation of $2.95bn.

While market commentators do not expect CEZ to start a rush of east European companies to the bond markets, the issue does indicate a trend.

Magyar Kulkereskedelmi Bank of Hungary, the first bank – rather than corporation – to tap the euromarkets, this week launched its second eurobond. The DM150m seven-year issue was run by Bayerische Landesbank of Germany, the Hungarian bank's minority shareholder.

On the syndicated loan markets, Ceskoslovenska Obchodn Banka and Komercn Banka of the Czech Republic set new benchmarks for east European borrowers by achieving pricing of 70 and 65 basis points respectively above Libor.

A benchmark for both the CEZ issue and to some extent the landmark syndicated loans was the City of Prague's Eurobond issued earlier this year, which trades at 85 basis points above treasuries.

Investment bankers expect other utilities to follow CEZ's lead. The two banks which have dipped into syndicated loans are also understood to be considering borrowing on the public market.

Poland's recent agreement with its creditors clears the way for its companies to borrow long-term and internationally. First, bowever, the Republic of Poland has to make its return to the debt markets with a planned five-year eurobond deal.

CS First Boston, J. P. Morgan, Merrill Lynch, Goldman Sachs and Morgan Stanley, all US investment banks, are on the shortlist to manage the transaction and a decision is believed to be imminent.

SEC investigation at PaineWebber

By Patrick Harverson in New York

PaineWebber, the US securities firm, is being investigated by the Securities and Exchange Commission as part of a broader inquiry into the sale of limited investment partnerships on Wall Street.

The investigation is similar to inquiries at Prudential Securities, which found that Prudential brokers had sold clients high-risk energy and property limited partnerships as low-risk, secure investments. Prudential ultimately agreed to pay more than $700m in fines and restitution, and the firm was put on probation for three years by federal prosecutors.

Although the PaineWebber investigation is not as large as the Prudential case, it is believed to focus on at least $2bn of limited partnerships sold by the firm. The SEC is reported to be seeking to determine whether brokers systematically misled clients about the risks involved in investing in energy and aircraft-leasing partnerships.

PaineWebber denies that its brokers lured clients into buying inappropriate investments, and noted that the SEC is investigating the sales of limited partnerships at other firms. A spokesman for the SEC said the commission would neither confirm nor deny the existence of any investigation.

Sharp fall in provisions boosts Bank of Montreal

By Bernard Simon in Toronto

A sharp fall in loan-loss provisions helped Bank of Montreal post its fifth consecutive year of record earnings, with fourth-quarter income jumping by one-third.

The bank, which is the first of Canada's "Big Six" banks to report 1994 results, lifted earnings to C$825m (US$603.8m), or C$3.01 a share, for the year to October 31, from C$709m, or C$2.59, a year earlier.

Return on equity climbed to 14.9 per cent from 14.1 per cent, and return on assets to 0.68 per cent from 0.63 per cent. Assets have risen by 18 per cent in the past year, to C$138.2bn.

Fourth-quarter earnings far exceeded analysts' estimates, jumping to C$268m, or 99 cents a share, from C$201m, or 74 cents, a year earlier. Return on equity for the latest period was 18.7 per cent.

The bank is widely expected to raise its dividend.

Loan losses for the year fell to C$510m from C$675m, in spite of a donbling in general provisions to C$200m, which the bank said was a prudent mova dnring the bnsiness npswing.

The bulk of the drop in loan-loss provisions took place in the fourth quarter, when write-downs almost halved to C$99m from C$175m. The bank said the improvement took place across its entire portfolio of individnal, commercial and corporate loans, bnt especially in tbe property sector.

Non-performing loans dropped by 40 per cent to C$1.4bn.

One of the few setbacks was a 12 per cent slide in earnings from foreign exchange operations.

Communications investment fund to be launched

By Richard Lapper

Montgomery Asset Management, tbe San Francisco-based investment manager, and Barings Securities, part of the UK investment banking group, yesterday announced a $100m investment fund which will focus on communications and services in the emerging markets. The Montgomery Emerging Communications Fund will place np to 10m shares.

Mr Oscar Castro, who currently manages the Montgomery Global Communications Fund, will act as principal portfolio manager for the fund, which will be registered as a closed end investment company in Bermnda.

Baring Brothers is sponsor to tbe issne and Baring Securities is the placing agent. The placing is not underwritten.

Correction

Mr Peter Godsoe

An article in early editions yesterday referred to Mr Peter Godsoe as chairman of tbe Bank of Nova Scotia. Mr Godsoe is in fact president and chief executive officer, and Mr Cedric Ritchie is chairman.

Nasdaq strengthens its defences

Allegations of collusion have prompted action, says Patrick Harverson

The Nasdaq stock market has been under fire this year over allegattons that its dealers colluded to fix their prices so they could profit at the expense of investors. Yet, until recently, the National Association of Securities Dealers, which operates the market, was slow to defend itself and its members, much to the unhappiness of some Nasdaq dealers.

Now, however, the NASD has brought out some big guns. Last week, the association named a seven-strong select committee, headed by former US senator Mr Warren Rudman, to conduct a review of the Nasdaq market, the second largest in the US after the New York Stock Exchange.

The NASD hopes that the appointment of the blue-ribbon panel – which includes well-known figures from the world of investing and market regulation sucb as Mr Peter Lynch, the prominent fund manager, and Mr Irving Pollack, a former head of market regulation at the Securities and Exchange Commission – will appease those who say the association has not been taking allegations of price fixing seriously enough.

Some critics, bowever, are still unhappy. They say the committee is packed with too many industry insiders (one of the seven is a former NASD chairman and two are former NASD governors) and are surprised that the panel has been asked to review everything about the Nasdaq market except the allegations that dealers broke anti-trust laws by fixing prices to maximise profits.

As one former top NASD official put it: "Since they aren't allowed to look at the trees, looking at the forest is going to be kind of hard."

The NASD, however, says it would have been improper to ask the committee to review matters which are the subject of more than two dozen class-action lawsuits, as well as separate investigations by the Justice Department and the SEC.

However, Mr Richard Ketchum, NASD chief operating officer, says the committee will be free to examine the wider issue of how prices are determined and bow trades are executed on Nasdaq, and whether there is genuine competition among the dealers.

Although Mr Rudman said this week that his committee did not want to get in the way of the Justice Department's investigation, he gave an assurance that they would "look where we have to look", and that the panel would talk to the two finance professors whose study of Nasdaq spreads sparked the inquiries and lawsuits in the first place.

The study, by Mr William Christie of Vanderbilt University and Mr Paul Schultz of Ohio State University, found that spreads between the buy and sell prices quoted by Nasdaq dealers on stocks of many big companies were unnecessarily wide. It concluded the only explanation was that dealers had agreed to keep spreads wide to maximise their profits – even though it meant denying investors the best possible price on each trade.

The study, and a second report by the professors which later appeared to back up their initial findings, prompted scores of investors to file lawsuits against Nasdaq dealers – including some of the biggest Wall Street firms – claiming they had violated anti-trust laws by illegally fixing prices.

Ever aince the first study's findings were published, the NASD has consistently denied thet its dealers colluded to fix prices (the dealers have remained quiet, pending the lawsuits). This week Mr Ketchum reiterated the NASD's view on the matter. "If there is anti-competitive activity going on in the market . . . we would welcome anyone identifying it." But, he said, "we don't believe the economic data in the two studies give any clear evidence that there was anti-competitive activity going on in the marketplace."

Mr Ketchum points out that that the study focused only on price quotations, ratber tban actual trades. The NASD claims that many trades are executed at prices that are better than those advertised by dealers on the screens, and they also say that wide spreads are necessary in some stocks to ensure there is aufficient liquidity in the market to accommodate investor orders.

Amid the various investigations, inquiries, lawsuits and select committees, the controversy over Nasdaq prices has raised broader questions about US equity markets, and whether investors are best served by the current structure of competing marketplaces offering investors the opportunity to trade via different, and in most cases unconnected, trading systems.

Mr Junius Peake, professor of finance at the University of Northern Colorado and an expert on the structure of US markets, says the problem of pricing on Nasdaq is just one of many faults within the market infrastructure. "The Iceberg has stuck its peak above the surface of the water."

Mr Peake believes tha controversy over price fixing highlights the weaknesses inherent in a system thet allows markets (not just tha NASD, but tbe NYSE and other exchanges) to regulate themselves. "The incident demonstrates the folly of combining self-regulation with the operation of a commercial enterprise like a market."

These are the sort of issues be believes will be addressed next year by Congress, which in the wake of the price-fixing charges is likely to want to take a close look not just at Nasdaq, but at all US markets. The central problem, says Mr Peake, is relatively straightforward: "The market structures are not as protective of customers' interests as they ought to be."

US heads Europe M&A league

By Nicholas Denton

US investment banks dominate a new league table of advisers on mergers and acquisitions into Europe announced so far this year. CS First Boston leads the list, having been involved in $11.6bn worth of deals, double the activity of its nearest competitor.

Altogether, six of the top 10 advisers are of US origin compared with three last year. The highest placed UK-based house is S.G. Warburg, in eighth place.

While some executives at US investment banks were quick to attribote their sncccess to superior skills and resources, others saw it as a sign of the recent surge of US investment into Europe.

"It's a reflection of higb transatlantic activity," said Mr Klaus Diederichs, co-bead of European M&A for J. P. Morgan, which came second in the table.

Warburg said it too had enjoyed a series of transatlantic deals, but in the other direction. Securities Data, which compiled the table, showed the it as a leading adviser to European acquirers.

Top 10 advisers on mergers into Europe

Adviser	Value ($m)
CS First Boston/ Credit Suisse	11,570.4
J.P. Morgan	5,241.1
Lazard Houses	4,841.4
Morgan Stanley	4,015.2
Goldman Sachs	2,689.9
Salomon Bros	2,346.1
Lehman Bros	1,987.7
S.G. Warburg	1,921.4
Kleinwort Benson	1,882.6
Wertheim/Schroder	1,375.1

Source: Securities Data

Competitors were surprised by CS First Boston's strength, and the firm conceded that in any single period there was an element of luck and that the extent of its lead was artificial.

The house has nevertheless, among other roles, advised Boots of the UK on the sale announced last week of its pharmaceutical business to BASF of Germany, and Swiss Re on the disposal of its non-insurance businesses.

CSFB has had a reputation as a bond house and it suffered a traumatic reorganisation after the departure of its long-time London head, Mr Hans-Jorg Rudloff.

It credited its improved position to a doubling of resources in corporate finance between 1989 and 1991, and the European flavour given by its link with Credit Suisse of Switzerland.

Santa Fe urges rejection of Union Pacific bid

By Richard Tomkins in New York

Santa Fe Pacific, the US railway company at the centre of competing hids, yesterday advised its shareholders to turn down the latest Union Pacific offer in favour of an agreed merger with Burlington Northern.

Burlington's $3.1bn offer would not be payable until the deal had been approved by federal rail regulators. Union Pacific is offering $3.3bn and says it will acquire Santa Fe immediately, putting its shares into a voting trust pending regulatory approval.

Santa Fe's board said that Union Pacific's bid was "too uncertain" because it was not clear that the regulators would allow it.

Italian sector tumbles on renewed political worries

By Conner Middelmann in London and Lisa Bransten in New York

While activity in most European government bond markets was muted, Italian bonds and the lira tumbled sharply yesterday amid renewed political worries surrounding Mr Silvio Berlusconi, prime minister .

Bonds fell by as much as a point on news that Mr Berlusconi had received formal notice that he is under investigation for allegedly paying bribes to Italian tax authorities in connection with his media empire Fininvest.

Although the corruption probe has been rumoured for months, its confirmation threw the market into disarray, raising fears that political upheaval would delay the passage of the 1995 budget. Parliament has to pass the package, which includes measures to cut some L48,000bn from next year's public sector deficit, before the end of the year.

GOVERNMENT BONDS

However, after dropping steeply on the initial news, prices soon stabilised as traders decided the news merely confirmed market worries. "Considering the seriousness of the matter, the drop wasn't as bad as it could have been – a lot was already discounted," said a dealer.

"The key questions now are: will Berlusconi be forced to resign, and will it throw the budget process into disarray," said Mr Graham McDevitt, bond strategist at Paribas Capital Markets. Although he thinks the budget is likely to be passed by year-end, he said the market would remain nervous over prospects of political upheavals – possible coalition realignments or even new elections – in the new year.

The December BTP future on Liffe fell as low as 99.75 but recovered slightly to end at 100.11, down 0.78 point on the day. The Italian 10-year yield spread over German bonds widened to 476 basis points, from 455 on Monday, and some traders said it could move towards 500 in coming days.

■ German bunds ended a trendless day slightly higher, buoyed by short-covering in the futures markets and a firmer tone in the US Treasury market.

Participants are awaiting the release of October M3 data, expected some time this week. The December bund future on Liffe ended at 90.41, up 0.33 point.

■ UK gilts continued their pre-Budget slumber, tracking bunds slightly higher in the absence of domestic impulses.

The Bank of England announced that a £200m tap issue of 7 per cent Treasury stock due 2001 had sold out, having been supplied at 92.02. The issue was part of a total £750m package of tap stocks of existing gilts set on Monday.

■ US Treasury prices benefited yesterday morning from a weakening stock market as investors switched assets into bonds and out of a declining stock market.

By midday the benchmark 30-year government bond was up ¼ at 93¼ yielding 8.108 per cent. At the short end of the market, the two-year note was unchanged at 99 $\frac{28}{32}$, yielding 7.284 per cent.

Traders added to the morning gains as they covered short positions before the afternoon auction of five-year notes. The early morning saw prices dip slightly as traders sold bonds to make way for the new issue.

Prevailing sentiment in the market has been pessimism and uncertainty since the Federal Reserve boosted its Federal funds target interest rate last week without closing the door on a further tightening in the near term. Although the Fed raised rates by a stronger-than-expected 75 basis points to 5½ per cent, the move was insufficient to calm the market's fears of inflation. Almost immediately after the interest rate increase traders began expecting rates to go up again soon. Such interest rate instability causes investor unease and undermines bond prices.

Even yesterday's boost in prices is not expected to last as most investment strategists are not advocating moving from stocks to bonds, but rather from stocks to cash. Also, the dollar declined from late Monday levels, which hurts the bond market by deterring foreign investors from buying US instruments such as bonds.

LCH points to exchange-traded derivatives growth

By Richard Lapper

Growth of exchange-traded derivatives products in London is poised to exceed last year's total by nearly 50 per cent, according to figures released yesterday by the London Clearing House (LCH).

The LCH said that so far this year it had cleared more than 200m contracts, compared with 154.6m for all of 1993, and expects the final figure for 1994 to be about 220m.

The popularity of exchange-traded products was also illustrated yesterday by the results of a survey which shows fund managers are becoming more likely to buy exchange-traded rather than over-the-counter products, following a number of heavy losses in the last 18 months.

Mr David Hardy, LCH managing director, said the pace of growth "has continued beyond people's expectations" and that volume had nearly doubled over the last two years.

The LCH clears contracts traded on Liffe (where volumes increased from 101.9m to more than 141.5m), as well as the London Commodity Exchange (down to 3.5m from 3.7m), the LME (up to 42.2m from 35.3m) and the International Petroleum Exchange (down to 13.1m from 13.8m).

Interest from US futures and commodities funds has increased and business has also benefited as a result of volatile conditions in the underlying cash markets, said Mr Hardy. Efforts by the exchanges to educate corporate and institutional users are also yielding dividends.

The survey* – by Coopers & Lybrand and Derivatives in Fund Management, the specialist magazine – sought the views of 120 fund managers from the UK, Europe, North America and Asia. It found that 77 per cent of respondents favoured exchange-traded instruments, while only 23 per cent preferred products bought on the OTC market.

Last year – when the sample was smaller – 72 per cent of UK fund managers and 57.5 per cent of European managers favoured exchange-traded products.

Mr Michael Levy, director of Antrim Associates who conducted the research, said exchange-traded derivatives were perceived to be "cheap, liquid and transparent, good for hedging purposes and easier to justify".

The survey also shows that knowledge of derivative products among fund managers remains limited although their popularity has grown.

More than half of respondents said that less than one-quarter of fund managers at their institution were familiar with derivatives. More than half the managers said their systems for managing exposures were either non-existent or inadequate.

Forty eight per cent of fund managers used derivatives mainly for hedging purposes.

The survey also found investors and trustees of pension funds were more positive about derivatives than a year ago. While most are now "neutral to positive" in their attitudes, a majority were either "neutral" or "negative" last year.

"It is surprising and encouraging given the problems of the past 12 months," said Mr Phil Rivett, of Coopers.

*Derivatives in Fund Management, Tel: 071 827 5254 (Park House, Park Terrace, Worcester Park, Surrey KT4 7HY)

Bank of England may make novel gilt issues

By Peter Norman, Economics Editor

The Bank of England is exploring the issue of zero-coupon UK government bonds and ways of aiding investors to separate the income stream from gilt-edged stock, as part of its programme of making UK government bonds more attractivs to internstional investors.

Mr Ian Plenderleith, the Bank's executive director for monetary policy operations, said it was also considering new types of security to meet the needs of pension funds.

"We continue to seek views from market participants on the scale of possible interest in zero-coupon instruments and in coupon-stripping facilities," Mr Plenderleith told the Third City of London Central Banking Confsrence yesterday. "Changes in the pension industry may generate demand for new forms of government security," he added.

Although Mr Plenderleith gave no further details, it is thought that the Bank could be considering the issue of gilts with very long maturities for pension funds.

The issne of zero-coupon bonds, which reward investors through capital gains rather than interest payments, will have to overcome Inland Revenue rules that have so far prevented their sale, and the sale of deep discount UK bonds.

Mr Plenderleith said the UK government bond and money markets were "in the midst of a significant process of continuing change".

But officials said the ideas floated yesterday constituted a "wish list" rather than specific plans.

However, the Bank is expected to discuss possible rule changes with the Treasury and UK tax authorities.

Activity slows in run-up to holidays

By Graham Bowley

New issuance activity in the eurobond market slowed yesterday ahead of holidays in Japan and the US today and tomorrow.

INTERNATIONAL BONDS

The short-dated dollar sector, which witnessed s flurry of activity after last week's rise in US short-term interest rates, nevertheless managed to attract three borrowers in the two and three-year area.

Bayerische Landesbank launched a $300m offering of three-year bonds. Traders criticised the launch spread – 15 basis points over US government bonds – as too expensive and described selling as "slow". The spread widened to around 19 basis points after the bonds were freed to trade.

"A spread of 20 basis points would have been a fairer price," said one trader.

However, joint lead manager Lehman Brothers said the spread was in line with similar existing bonds trading in the secondary market and that virtually no bonds had been bought back through the brokers.

The bonds were launched into Asia in the hope of attracting some interest there, traders said. But they suspected that most would be placed with European retail investors.

In ths sterling sector, National & Provincial Building Society launched a £100m offering of bonds due December 1997, priced to yield 45 basis points over UK gilts.

Traders cast doubt on the decision to launch a three-year offering. "This area of the sterling yield curve is only going to retail accounts and National & Provincial is not a retail name," said one dealer. "The spread is not going to attract institutional interest," he said.

Challenge Bank launched a $200m offering of three-year floating rate notes, priced to yield 35 basis points over three-month Libor, which joint lead manager CSFB said found strong European demand.

Ireland is planning to tap the euroyen market for around Y30bn within the next few weeks, the Irish National Treasury Management Agency said.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Bayerische Landesbank	300	7.75	99.835R	Dec.1997	0.1875R	+15(7¾%-97)	Lehman Brothers Intl.
Challenge Bank‡	200	(a)	99.86R	Dec.1997	0.20R	-	CSFB/ SG Warburg Secs.
Urban Mortgage Bk.of Sweden‡	200	(b)	99.8975	Sep.1996	undiscl.	-	Nomura International
STERLING							
National & Provincial B/S	100	8.625	99.85R	Dec.1997	0.225R	+45(8¾%-97)	CS First Boston
AUSTRALIAN DOLLARS							
Crédit Local de France	100	10.50	101.453	Jan.1999	1.75	-	Barclays de Zoete Wedd
Tasmanian Public Finance Corp.	75	10.50	101.45	Dec.1997	1.50	-	Deutsche Bank London
SWISS FRANCS							
Aegon	125	5.50	102.75	Jan.1999	1.75	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Libor +35bp. b) 3-mth Libor +6¼bp.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	89.7500	+0.120	10.71	10.61	10.25
Belgium		7.750	10/04	96.0700	+0.170	8.34	8.23	8.55
Canada *		6.500	06/04	83.2500	-0.200	9.16	9.04	9.12
Denmark		7.000	12/04	86.7500	+0.350	8.72	8.75	8.95
France	BTAN	8.000	05/98	101.8200	+0.180	7.47	7.47	7.63
	OAT	6.750	10/04	90.9600	+0.270	8.11	8.11	8.34
Germany Bund		7.500	11/04	100.1700	+0.130	7.47	7.40	7.70
Italy		8.500	08/04	81.0600	-0.800	11.83†	11.58	11.82
Japan	No 116	4.800	06/99	102.9360	+0.018	4.04	4.04	4.12
Japan	No 164	4.100	12/03	96.3670	+0.398	4.67	4.72	4.76
Netherlands		7.250	10/04	96.0600	+0.300	7.53	7.48	7.86
Spain		8.000	05/04	81.9500	+0.080	11.16	11.18	11.30
UK Gilts		6.000	08/99	90-31	+3/32	8.35	8.43	8.72
		6.750	11/04	88-10	+6/32	8.50	8.68	8.84
		9.000	10/08	103-30	+8/32	8.51	8.59	8.80
US Treasury *		7.875	11/04	99-05	+5/32	8.00	7.91	7.85
		7.500	11/24	93-05	+8/32	8.11	8.06	8.04
ECU (French Govt)		6.000	04/04	84.1300	+0.280	8.51	8.47	8.72

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime

		Treasury Bills and Bond Yields			
		One month	5.61	Two year	7.28
Prime rate	8½	Two month	5.53	Three year	7.53
Broker loan rate	8½	Three month	5.45	Five year	7.79
Fed.funds	5½	Six month	6.08	10-year	8.05
Fed.funds at intervention	-	One year	6.86	30-year	8.11

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	111.08	111.36	+0.28	111.40	111.02	128,452	133,661
Mar	110.26	110.54	+0.28	110.56	110.24	13,182	24,372
Jun	109.42	109.66	+0.24	109.62	109.42	193	3,004

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Nov	PUTS Dec	PUTS Mar
110	1.36	1.76	-	0.03	1.30	-
111	0.43	1.25	1.53	0.10	1.76	-
112	0.05	0.83	1.14	0.70	-	-
113	0.01	0.52	-	1.66	-	-
114	-	0.30	-	-	-	-

Est. vol. total, Calls 25,105 Puts 21,448 . Previous day's open int., Calls 313,889 Puts 277,315.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.07	90.45	+0.37	90.53	90.03	122058	169852
Mar	89.19	89.64	+0.41	89.73	89.18	14466	40902

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9000	0.49	0.53	0.85	1.02	0.04	0.89	1.21	1.38
9050	0.18	0.34	0.64	0.80	0.21	1.20	1.50	1.66
9100	0.04	0.21	0.46	0.61	0.59	1.57	1.82	1.97

Est. vol. total, Calls 19466 Puts 12393. Previous day's open int., Calls 303568 Puts 245591

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	100.41	100.04	-0.85	100.72	99.75	56875	61339
Mar	99.60	98.91	-0.84	99.70	98.76	4985	12926

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10000	0.04	1.67	0	2.76
10050	0	1.47	0.46	3.06
10100	0	1.29	0.96	3.38

Est. vol. total, Calls 3614 Puts 3462. Previous day's open int., Calls 27886 Puts 35752

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.30	87.49	+0.15	87.50	87.25	25,794	82,106
Mar	86.50	86.69	-	86.73	86.50	1,913	5,458

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102-14	102-16	+0-05	102-20	102-18	27943	102830
Mar	101-23	101-27	+0-06	101-27	101-21	4082	16133

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
102	0-40	1-42	0-04	1-52
103	0-05	1-10	0-33	2-20
104	0-01	0-50	1-29	2-60

Est. vol. total, Calls 7127 Puts 1051. Previous day's open int., Calls 75088 Puts 52757

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	80.98	81.12	+0.14	81.18	80.92	3,433	7,095

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	96-26	96-29	+0-03	97-00	96-26	182,750	408,031
Mar	96-08	96-10	+0-04	96-12	96-06	14,062	63,257
Jun	95-23	95-23	+0-02	95-24	95-21	1,170	11,927

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	108.33			108.50	108.33	318	0
Mar	107.57			107.84	107.65	2579	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Nov 22	Day's change %	Mon Nov 21	Accrued interest	xd adj. ytd
1 Up to 5 years (23)	120.31	+0.02	120.28	2.02	9.83
2 5-15 years (23)	140.38	+0.05	140.31	1.98	11.49
3 Over 15 years (8)	157.42	+0.09	157.27	2.87	10.87
4 Irredeemables (6)	177.66	+0.22	177.27	0.90	13.47
5 All stocks (60)	137.63	+0.05	137.56	2.15	10.93
Index-linked					
6 Up to 5 years (2)	186.77	+0.05	186.68	0.71	5.07
7 Over 5 years (11)	174.20	+0.08	174.06	1.15	4.38
8 All stocks (13)	174.62	+0.07	174.49	1.11	4.41
Debentures and Loans					
9 Debs & Loans (77)	128.21	+0.09	128.10	2.08	10.27

	Low coupon yield Nov 22	Nov 21	Yr. ago	Medium coupon yield Nov 22	Nov 21	Yr. ago	High coupon yield Nov 22	Nov 21	Yr. ago
5 yrs	8.42	8.44	6.02	8.48	8.48	6.27	8.61	8.60	6.39
15 yrs	8.42	8.43	6.95	8.53	8.54	7.07	8.79	8.79	7.26
20 yrs	8.40	8.41	7.04	8.53	8.54	7.12	8.70	8.69	7.27
Irred.†	8.46	8.46	7.15						

	Inflation 5% Nov 22	Nov 21	Yr. ago	Inflation 10% Nov 22	Nov 21	Yr. ago
Up to 5 yrs	3.86	3.88	2.17	2.84	2.84	1.30
Over 5 yrs	3.84	3.85	3.13	3.65	3.66	2.95

	5 year yield Nov 22	Nov 21	Yr. ago	15 year yield Nov 22	Nov 21	Yr. ago	25 year yield Nov 22	Nov 21	Yr. ago
Debs & Loans	9.56	9.56	7.59	9.52	9.53	8.03	9.49	9.50	8.19

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 22	Nov 21	Nov 18	Nov 17	Nov 16	Yr ago	High*	Low*
Govt. Secs. (UK)	91.86	91.74	91.58	91.52	91.59	103.43	107.04	89.54
Fixed Interest	108.33	108.15	108.15	108.34	108.22	123.80	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Nov 21	Nov 18	Nov 17	Nov 16	Nov 15
Gilt Edged bargains	152.9	145.0	174.4	108.3	93.4
5-day average	134.4	118.9	106.0	87.4	89.0

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	1994 High	1994 Low
Shorts" (Lives up to Five Years)							
Treas 9pc 1994‡‡		8.99	-	100 $\frac{1}{32}$xd		103 $\frac{13}{32}$	100 $\frac{1}{32}$
12pc 1995		11.68	5.64	101 $\frac{1}{32}$	$-\frac{1}{16}$	107 $\frac{3}{8}$	101 $\frac{1}{32}$
Exch 3pc Gas 1990-95		3.04	5.81	98¾		98 $\frac{13}{32}$	97¼
10¼pc 1995		10.00	6.28	102 $\frac{15}{32}$		107 $\frac{29}{32}$	102½
Treas 12¾pc 1995‡‡		12.05	6.58	105 $\frac{25}{32}$		113⅝	105¼
[illegible]							
Funding 3½pc 1999-4		4.69	7.26	74⅝	$+\frac{7}{16}$	86 $\frac{3}{8}$	69¼
Conversion 9½pc 2004		8.98	8.59	105 $\frac{25}{32}$		125 $\frac{1}{16}$	101 $\frac{1}{32}$
Treas 6¾pc 2004‡‡		7.65	8.50	88¼xd	$+\frac{1}{16}$	105⅝	84 $\frac{3}{8}$
8½pc 2005		8.61	8.50	98 $\frac{23}{32}$	$+\frac{1}{16}$	100 $\frac{3}{8}$	97
Conv 9½pc 2005		8.94	8.55	106 $\frac{5}{16}$		125½	102½
Treas 12½pc 2003-5		10.24	8.86	122 $\frac{1}{32}$	$+\frac{1}{8}$	143 $\frac{7}{16}$	118⅛
[illegible]							

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	1994 High	1994 Low
2pc '96	(67.9)	2.50	4.00	200¼	$+\frac{1}{16}$	208⅝	197 $\frac{15}{32}$
4⅝pc '98‡‡	(135.6)	2.76	3.53	107 $\frac{1}{16}$	$+\frac{1}{16}$	113 $\frac{3}{32}$	106 $\frac{1}{16}$
2½pc '01	(78.3)	3.33	3.77	165½	$+\frac{1}{8}$	176⅜	163½
2½pc '03	(78.8)	3.45	3.80	162 $\frac{1}{16}$	$+\frac{1}{8}$	173⅝	159 $\frac{3}{16}$
4⅜pc '04‡‡	(135.6)	3.48	3.81	108⅞	$+\frac{1}{16}$	118⅜	107½
[illegible]							

Other Fixed Interest

[illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on November 22

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	87⅞	87⅝	+⅛	8.65
Alberta Province 7⅝ 98	1000	98½	98¾	+⅛	8.08
Austria 8½ 00	400	101¼	101⅝		8.16
Bank Ned Gemeenten 7 99	1000	95¾	95⅞		8.10
Bank of Tokyo 8⅛ 96	100	100¾	101¼		7.71
[illegible]					
United Kingdom 7⅛ 97	5500	101	101	+⅛	6.73
Volkswagen Intl Fin 7 03	1000	94½	95	+⅛	7.90
World Bank 0 15	3000	20⅞	21¼	+⅛	7.84
World Bank 5⅞ 03	3000	86⅞	88¾	+¼	7.66
World Bank 8¾ 00	1250	110	112⅜	+½	6.46
[illegible]					
Abbey Natl Treasury 8 03 £	1000	92⅞	92⅝	+⅛	9.34
Alliance Leics 11⅜ 97 £	100	106	106⅝	-⅛	8.62
British Land 8⅞ 23 £	150	88⅝	89⅛	-⅛	10.35
Denmark 6¾ 98 £	800	94	94¼		8.67
EIB 10 97 £	637	103½	103⅞		8.16
Halifax 10⅜ 97 £	100	104	104¼		8.34
[illegible]					

Abbey National retail banking margins widen

By Alison Smith

A widening of margins in its retail banking business during the third quarter of this year was reported by Abbey National, the home loans and banking group.

In the three months to September 30 Abbey said it had increased its share of net lending to the UK mortgage market to about 10 per cent. Its share of the liquid savings market was, at more than 10 per cent, higher than its more usual 8.5 per cent.

Mr Ian Harley, finance director, said that the wider margins partly reflected the fact that Abbey had eased its pricing of loans in the third quarter after a particularly successful first half of the year.

The mix between fixed rate mortgages, which accounted for fewer than 5 per cent of loan applications, and variable rate lending had also had an effect, he said.

Mr Harley said the changes were not unique to Abbey and would apply to others in the retail savings and mortgage business, "though I like to think we've been ahead of the game".

A further widening of margins could be expected for mortgage lenders in genaral over the fourth quarter, which would take account of the opportunity provided by the 0.5 percentage point interest rate rise in September.

Competition for personal savings had also eased, since the lack of vigorous demand for home loans meant there was less pressure to attract large amounts of retail funds.

Abbey's wider margins on the retail side have more than made up for the tightening of the spreads earned on its treasury investment portfolio, because of competition for high quality assets.

It also said that as the continuing downward trend of mortgage arrears and repossessions slowed, the level of provisions against bad and doubtful debts was approaching the bottom of the cycle.

This suggests that mortgage lenders in general will find falling provisions will decrease in importance on the headline increases in pre-tax profits. This is likely to intensify pressure to find income growth.

Abbey said that new business premium income from Scottish Mutual, one of its life insurance subsidiaries, was 15 per cent higher in the first nine months of this year, against the trend of the life sector. Within this increase there had been a small drop in regular premium business.

Over the same period Abbey National Life, the other life offshoot, saw new business premium income more than double, although this partly reflected the fact that the operation was launched in February last year.

Music and rentals help Thorn EMI rise 27%

By David Blackwell

Strong performances by its main music and rentals divisions helped Thorn EMI to lift interim pre-tax profits by 27 per cent from £99m to £125.8m.

The popularity of the latest releases by the Rolling Stones and Pink Floyd helped push up operating profits at EMI Music from £89.9m to £101.3m on sales of £877m (£778.3m) for the six months to the end of September. Next week's release of a double album of recordings made by the Beatles in the early 1960s for the BBC is expected to contribute to a strong second half.

Thorn Group lifted operating profits from £52.6m to £57.9m on the back of increased cost efficiencies and new products. Turnover rose from £714.5m to £760.6m. In the UK, revenues from the rental base were ahead for the first time in recent years, mainly because of the Option-2-Own concept.

HMV, the music retailer, cut its interim losses to £2.8m (£6.5m) after a 17 per cent sales rise to £192.3m (£164.9m).

Sir Colin Southgate, chairman, described the results as "tremendously positive" and a pointer to a good outcome for the year as a whole. "We could not have asked for anything better," he said, expressing surprise at the market reaction: the shares closed down 24p at 973p.

Total group sales fell to £1.94bn (£2.06bn), including sales from discontinued operations. Sales from continuing operations increased from £1.85bn to £1.93bn.

The operating loss at TSE, the remaining technology businesses including Thorn EMI Electronics, fell to £4m, against £14.7m when there were significant restructuring costs.

The group is in talks about the sale of its defence sensors business to Racal Electronics, and its other defence business to Thomson-CSF of France. The two divisions account for 80 per cent of Thorn EMI Electronics sales.

It expects to complete the sale to Thomson by the end of the financial year in March. Yesterday Sir Colin said he hoped the sale to Racal would also be completed by then.

Capital apending rose by £50.2m to £308m. Sir Colin said the group was expanding in Europe, Amarica, Australia and the UK, and was investing in new rental products and new shops, as well as in information technology and manufacturing in the music side.

Earnings per share rose from 13.2p to 17.1p. After adjusting for exceptional charges of £13.1m, mainly related to the sale of Thorn Security in May, earnings were 21p, up from 16.4p when exceptional charges were £10m.

The interim dividend is 9.75p (9p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Anglo Irish	fin	2‡†	Jan 18	2	3.36	3.36
Atkins Group	int	3.85	Jan 20	3.85	-	8.1
Cosalt	fin	5	Jan 25	3.25	6	5.375
Flogas	int	3.57‡	Jan 3	3.24	-	7.92
Gartmore Shared	int	4.8	-	2.4	-	9.6
Kewill Systems§	int	2.5	Mar 1	-	-	5
Lowndes Lambert	int	2.75†	Feb 3	2.5*	-	7.5*
McLeod Russel	fin	3.45†	Dec 15	3.35	6.2	8.1
Northern Foods	int	3.5	Mar 17	3.5	-	8.8
Parkside	int	1	Jan 9	-	-	-
Pilkington	int	1.5	Feb 17	1.5	-	4
Readicut	int	0.63	Feb 6	0.63	-	3.44
Shires Inv	int	4.2☆	Jan 31	4.2	-	16.6
Sterling Inds	int	2.5	Feb 10	1.6	-	6.3
Thorn EMI	int	9.75	Mar 3	9	-	34
Vodafone	int	1.64	-	1.37*	-	2.78*
Whitecroft	int	1.5	Jan 30	nil	-	2

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish currency. ☆ Second interim making 8.3 to date. *Adjusted for scrip issue.

Parkside at £1.35m

Parkside International, the maker of flexible packaging and plastic labels which came to the market in February, reported pre-tax profits of £1.35m for the half year to August 31. Profits last time were £981,000.

Turnover rose to £16.7m (£15.4m including £971,000 from discontinued activities). Earnings were 3.4p (4.6p) on increased capital and as forecast, the interim dividend is 1p.

BTR condemns offshoot's window dressing

By Paul Taylor

BTR, the industrial conglomerate, yesterday condemned the year-end balance sheet "window-dressing" activities of Pilkington's Tiles, one of its subsidiaries.

The move followed revelations that the financial controller at Pilkington's Tiles had sent suppliers letters asking them to wait for invoice payments due at the end of November until after the group's December 31 year-end. In return Pilkington's suggested it would be willing to reciprocate for suppliers.

Such an arrangement would typically enable the participants to show stronger year-end balance sheets.

Yesterday BTR said: "We neither authorise nor recommend letters of this sort. Optimising cash flow and managing working capital are normal commercial practices for most efficient companies and BTR is no exception.

"The BTR group as a whole is doing no more this year than it usually does. We are not concerned about our cash flow or gearing. The group has progressively reduced its gearing from 95 per cent at December 31, to 46 per cent at end of June this year."

Asked what action, if any, BTR intended to take against its subsidiary, the company added: "We are currently examining the circumstances in which the letters were issued." Analysts suggested yesterday that it was common practice for big companies to attempt to improve their cash flow and reduce their working capital.

The Pilkington's Tiles' proposal, however, is embarrassing for BTR since it appears to go beyond the normal bounds of prudent balance sheet management. It also flies in the face of government and Confederation of British Industry's exhortations to big companies to reduce the length of time taken to settle bills from small and medium-sized businesses.

Trimmed McLeod rises 23% to £6.4m

By Peter Pearse

Shares in McLeod Russel rose 10p to 117p yesterday as the group reported increases in operating and pre-tax profits of 57 per cent and 23 per cent respectively for the year to September 30.

Profits for the group, which has interests in surface coatings, air filtration, environmental engineering and property investment, grew to £6.36m (£5.16m) pre-tax and £8.12m (£5.17m) at the operating level. Turnover expanded 24 per cent to £109.7m (£88.4m).

The year was one of integrating and returning to profit the Wheway businesses, which it acquired in March 1993. Mr Paul Humphreys, finance director, said: "We have done a reasonable job, though there is still some upside to come before we get a full return."

While there had been no huge hidden problems within the lossmaking environmental engineering company, he said the aggregate problems had been greater than expected. He added that McLeod had been accurate on the cash position, but that the profit side had been more difficult.

With the aim of reducing the group's overdraft from last time's £17.8m, McLeod sold most of the non-core businesses. Various "sundry businesses" had been retained because they took little management time and generated cash and a decent return on capital employed, Mr Humphreys said. However, Blakes Marine Paints had been sold because it was small, in a different market sector, and a trade buyer had made an approach.

Losses on disposals were £490,000, but borrowings were reduced to £10.5m for gearing of 31 per cent. Mr Humphreys said the pressure was now off that area. Interest payable, however, rose steeply to £1.31m (£490,000), reining in the pre-tax advance.

Earnings grew by 1p to 8.54p and the final dividend is lifted to 3.45p (3.35p) for a total of 6.2p (6.1p).

NSM backs Budge's assumptions

By Peggy Hollinger

One of Britain's largest independent coal companies yesterday backed the assumptions used by Mr Richard Budge, chief executive of RJB Mining, in his controversial £914m bid for British Coal's English regions.

Mr John Jermine, executive chairman of NSM, which failed in its own bid for the South Wales region, implied doubts behind RJB's bid could be exaggerated. "I do not think it is beyond reason that Budge's assumptions will work out," he said.

Mr Jermine said he was optimistic about the outlook for coal in spite of two widely publicised threats to the UK industry – imports and the potential shift from coal to gas-fired power stations.

Mr Jermine said coal was the cheapest fuel for power stations. The generators "still make more money from coal than from any other source of energy," he said.

Secondly, Mr Jermine maintains that imports are expected to become increasingly expensive as transportation costs rise. "Our prices in the UK are already broadly competitive with imports on a secured stream of coal," he said.

However, he attacked the delay by the Coal Authority to reduce the royalties it receives from independent coal miners. These have over the last 18 months fallen from £5 to £2 per tonne for open cast coal. However, a further expected reduction to 50p, which would make UK coal more competitive with imports, had not yet been implemented.

Mr Jermine's comments on the British Coal bidding process almost overshadowed his own company's buoyant performance in the first half and its promise to pay the first dividend since 1990. Pre-tax profits for the six months to September 30 rose by £2m to £2.7m, on sales 9 per cent ahead to £62m.

NSM said it expected to pay a final dividend, in light of the continuing improvement in the trading performance.

Profits in the first half were helped by a record year in the plant hire business, and by lower interest charges of £3.4m (£3.94m) after the £40m rights issue in July.

The US mining division almost trebled pre-tax profits from £959,000 to £2.3m largely due to reducing costs. Prices in the US remained under pressure, and were not expected to improve until industrial activity picked up.

In the UK, mining profits rose by 28 per cent to £4.4m. About three-quarters of NSM's UK mining turnover comes from low margin contracts with British Coal. However the bulk of profit came from NSM's own mines which supply UK utilities on fixed contracts which run to 1998.

Earnings per share almost doubled from 3.5p to 6.9p. There was no interim payout.

Putting £1bn down the mines

Michael Smith on RJB's controversial bid for British Coal's assets

British Coal may have faced a serious decline in its markets for most of its 47 years of existence, but there is no chance of that happening to RJB Mining, the company chosen as preferred bidder to take over its English mining assets.

That at least is the view of RJB and Mr Richard Budge, its chief executive, and explains why it offered the government so much more than its rivals.

Even after 1998, when contracts inherited from British Coal run out, the company assumes it will be able to keep sales steady at about 34m tonnes a year from the three regions it is buying, much the same as the 35m tonnes next year.

The problem is that RJB is thought by some analysts to have overestimated tha size of the post-1998 market by about 40 per cent and compounded the error by assuming prices will be 20 per cent higher than they are likely to be.

Even some coal and electricity industry executives who regard themselves as optimists think the "conservative" estimates that underpin the bid are at the high end of the likely outcome.

An assessment of the post-1998 market is central to RJB's efforts to raise up to £1.05bn to finance its £914m bid (the price is subject to negotiation).

RJB can with relative ease persuade banks to lend some £628m.

The inherited coal contracts with electricity generators provide a reasonable likelihood that the bulk of the debts can be paid back within three years.

However, RJB's success in raising up to £425m through a share issue depends to a large extent on expectations of the company's prospects after 1998.

The company, worth less than £160m at its suspended stock market price, says it can offer potential shareholders dividend yields of about 4.5 per cent in the early years. That is unlikely to draw in many investors, however, since it is only around the stock market average.

An investment in coal is perceived as risky.

RJB's big bait, therefore, is the policy, outlined to institutional investors in a series of presentations, of "rapid dividend growth after reduction of debt" – mainly after 1998.

If the pessimists are right, the company will fail to produce the £220m a year pre-tax profits it believes are achievable by the end of the decade. This would jeopardise dividend growth, with a consequent impact on the share price.

It is not just investors who would suffer, however. Parts of Britain's coal base could be lost for ever, according to pessimists, as RJB struggled to make enough money to invest in pits.

The government's reputation on privatisation, already under fire from opposition parties, would suffer a further knock.

But isn't this all too apocalyptic? Surely RJB and its adviser Barclays de Zoete Wedd, not to mention the government's adviser, NM Rothschild, cannot all have got it wrong?

In the past, Rothschild has been viewed as pessimistic about tha coal market: its predictions three years ago on the size of the pre-privatisation market and the subsequant need for closures have proved to be accurate.

Mr Keith Palmer, a Rothschild managing director, is thought to be in broad agreement with RJB's view of the post-1998 market.

In its City presentations, RJB uses figures supplied by Caminus, the consultancy which advised the government in the coal review, for the worst and best scenarios for the English electricity supply market after 1998. The favourable case, for 54.6m tonnea including imports, will set shareholders' pulses racing since it could provide the base for pre-tax profits even higher than the £220m RJB is projecting in 1999-2000.

For sake of prudence they will also need to examine the "conservative" figure of 27.6m tonnes. According to some industry analysts, including McCloskey Coal Information, which provides editorial for FT newsletters, even this is too high. McCloskey says RJB's "cautious" estimate for annual capacity available to English suppliers is about 6m tonnes too optimistic.

It believes RJB has under-estimated the market share of nuclear power and import links from Scotland and France in the late 1990s, as well as the penetration of imports in 1999-2000. It also considers RJB's estimates for the domestic and industrial markets to be high.

Industry executives adopt varying attitudes. According to one power company executive the overall impression of RJB's conservative case is that it does not allow for the worst possibilities for coal. But nor does he see the projections as "way off beam". This is supported by figures in the seven-year plan at the National Grid, power transmission company, which suggest coal burn in the year 2000 will be between 25m and 33m tonnes.

Assuming RJB is right, the total market for coal in its conservative case is 35.5m tonnes. To achieve its aim of making £220m in 2000, RJB believes it can sell 33.8m tonnes. That leaves little room for rival companies, such as Coal Investments and Ryan Group, which will be fighting hard for market share and may drop their prices to get it. Yet RJB's projections for prices are also at the high end of expectations.

Mr Budge believes an average selling price of £1.32 is reasonable and has been telling institutional investors that he believes the average price for power station coal will be about £1.25 at today's prices.

Generator executives believe that is too optimistic, since coal can be imported at prices of less than £1 a gigajoule. Coal Investments based its failed bid for the two central England regions on prices of £1.10 or less and British Coal executives believe that is nearer the mark.

Another rival bidder for some of the five regions, whose tender also failed, says RJB may be able to sell coal for an average of £1.32 a gigajoule in 2000 and it may be able to sell 33.8m tonnes. "But I can't see how he can do both. If he wants to sell high volumes then he must keep prices low.

"The worst thing is that he will discover all of this around 1997 and if he decides to go for high prices, he will have to cut volume. Coal mine closures will be expensive."

Mr Budge thinks otherwise. In his institutional presentations, he points to rising prices on the international market and the expense of getting imported coal to the inland power stations – the bulk of them.

He adds that if tha worst came to the worst and the company did have to reduce capacity, it would not be a disaster. There would be little need for closures because opencast production, rather than that from deep mines, could be varied. Nor would redundancy costs be high since tha industry employs several thousand contract workers.

With so much adverse publicity, Mr Budge and his advisers still have to do some persuasive talking to be sure of raising the money they need. But Mr Budge is impressing investors and there are signs that institutions are believing his projections rather than those of his critics. Supportive comments, like those made yesterday by Mr John Jermine, executive chairman of NSM, another coal company, will add to the Budge bandwagon.

Financing Structure of the Bid

	£
Value of tender	94*
Total financing **	
- bank debt	528
- corporate bond	100
- equity	425

** Includes refinancing of RJB's existing bank debt, working capital and costs * subject to negotiation with the government and likely to fall

English ESI Requirements for Coal

Year ended March 31 M/tonnes of coal equivalent	Conservative Case 1994/95 M/tonnes	Conservative Case 1999/00 M/tonnes	Favourable Case 1999/00 M/tonnes
Electricity Generation (England and Wales)	115.2	122.3	122.8
Nuclear	26.6	29.7	22.1
Gas	16.1	50.6	40.9
Scottish Link	3.5	4.7	4.7
French Link	6.9	1.4	0.0
Stock Withdrawal	12.0	0.0	0.0
Orimulsion	1.4	8.3	0.0
Heavy Fuel Oil	0.1	0.0	0.0
Total Non-coal	66.6	94.7	67.7
Available for coal*	48.6	27.6	54.6
Available to English Suppliers*	36.9	27.1	43.0

*Imports account for the difference between these figures. Source: Caminus

Revival of US airline boosts GPA

By Simon Davies

GPA, the Irish aircraft leasing company rescued from collapse last year, returned to profit forthe six months ended September 30. The turnround was because of settlements received from the revived US airline America Wast, which recently emerged from bankruptcy.

Pre-tax profits amounted to $5.3m (£3.23m), compared with a $39m loss, after the payment of $171m interest on its $5.13bn debt mountain. The figure was boosted by a $32m exceptional credit. A $57m loan to America West has been repaid, and the $32m credit related to the settlement of additional claims against aircraft leases to the airline.

GPA's turnover rose from $800m to $1.07bn and the company had $832m positive cash flow from its operating activities. This included $525m from the sale of aircraft, partly through a previously agreed sales programme to GE Capital.

Borrowings fell by $358m to $5.13bn; however, this compares with shareholders' funds of $192m.

The company recently took on Morgan Stanley as adviser and is hoping to negotiate delayed repayment of $1.8bn of debt due in September 1996. GPA is aiming for an 11-month extension.

Mr John Tierney, finance director, said: "We believe the company has now stabilised in terms of trading. We are beginning to see improvements in the industry. Wa are now in a position to address the next major hurdle: the 1996 repayment."

He emphasised that with recent disposals GPA's liquidity was the strongest it had been for more than two years, and therefore the company would be able to negotiate "without our backs to the wall".

Cash balances are $313m and available banking facilities are more than $100m. However, GPA admitted that the aircraft leasing market has not yet reflected the generally improved demand for air travel.

Hartons director agrees to resign and sell shares

By Richard Wolffe

A non-executive director of Hartons Group yesterday resigned from the board of the semi-finished plastics distributor, one day after the board called an EGM to unseat her.

Mrs Monica Maimann agreed to step down and sell her family's holding of 24.3m shares, representing 33 per cent of ordinary shares.

Singer & Friedlander, the company's financial adviser, said it would attempt to place the shares at no less than 8p before December 22, when Mrs Maimann would be free to sell her shares independently.

Two weeks ago, Hartons said negotiations between two main shareholders and a third party could result in a full offer for the group. The deal was thought to involve a price of 8p per ordinary share.

The ordinary shares closed unchanged at 7p yesterday.

Hartons, which has incurred losses for the last four years, reported a £325,000 pre-tax deficit on £25.7m turnover in the six months to June 30.

Two non-executive directors have been appointed: Mr Julian Bell, non-executive director of Ipeco Holdings, and Mr Barry Skipper, non-executive director of Warburtons.

COMPANY NEWS: UK

Threat of second half restructuring charges to cover closures

Northern Foods declines 16%

By Roderick Oram, Consumer Industries Editor

Northern Foods warned that plant closures and job losses would force it to take a restructuring charge in the second-half as it reported a 26 per cent drop in interim pre-tax profits from £72.1m to £53.7m.

The dairy and foods manufacturer blamed the setback on rising milk costs and intense pressure on its selling prices from retailers.

Milk costs were up 10 per cent or £50m after price increases by the Milk Marketing Board and Milk Marque, its successor. Mr Christopher Haskins, Northern's chairman, attacked Milk Marque for "its abuse of monopoly power".

Northern's profits are expected to fall by about £15m this year but longer term the group hoped to recover about half the increased costs through higher prices. The rest will come from closures and other cost-savings.

Analysts, who estimate the restructuring charge could be about £30m-£35m, were disappointed that it would also cover non-dairy areas such as cutting van distribution to small retailers and rationalisation of meat production. The shares closed down 8p at 204p.

Operating profits fell 11 per cent to £72.6m in the six months ending September 30. Interest charges were £7.4m (£9.3m) and there was a £11.5m loss on disposals.

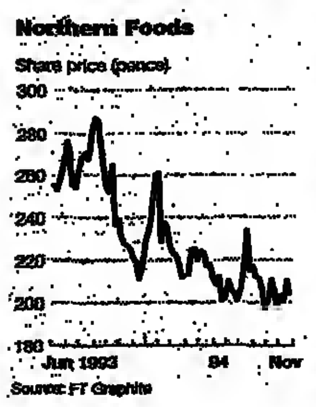
Dairy operating profits fell 14 per cent to £34.5m on unchanged sales of £476.4m. Doorstep milk sales fell by 12 per cent while supermarket sales rose. Home milk sales were likely to fall from 45 per cent of Northern's total milk sales to 30 per cent.

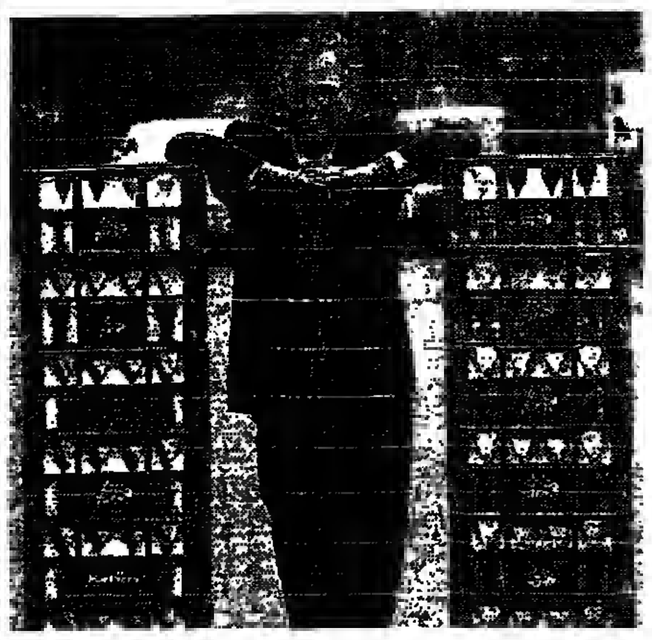
Convenience foods fell 18 per cent to £18.2m on sales down 2 per cent at £262.3m. Factors included lower bread sales, start up problems at a Manchester plant and reduced sales from its delivery vans to small shops. However sales volumes to Marks & Spencer rose 5 per cent and sales to it and three other large chains, J Sainsbury, Tesco and Asda, now accounted for 35 per cent of group sales.

Meat products fell 16 per cent to £8.2m on sales down 3.6 per cent to £125m. Progress with large chains offset declining sales to small shops and caterers.

Grocery profits rose 25 per cent to £11.9m on sales up slightly to £106.6m. Fox's biscuits, the bulk of the division, increased its market share by half a percentage point to 6.5 per cent.

The interim dividend was unchanged at 3.5p from earnings per share of 6.37p (9.37p) or 8.37p before exceptionals.





David Barr
Christopher Haskins: Milk Marque abusing its monopoly power

● COMMENT

These disappointing results show that Northern has a lot of remedial work to do across the group. Moreover, it is revisiting long standing problems such as doorstep milk delivery and van sales. Pre-tax profits this year of about £130m, before provisions, are possible for earnings of 17p and a sector typical prospective p/e of 12. With no prospect of earnings growth for 12-16 months, the shares will live on their 5½ per cent yield.

BAe attacks GEC's export record

By Bernard Gray, Defence Correspondent

British Aerospace, which is fighting GEC for control of VSEL, the submarine maker, yesterday attacked its competitor's record as a military exporter.

In a document sent to shareholders alongside its revised offer for VSEL, BAe points out that its export sales have grown from an annual £1bn to about £3bn over the past decade, while GEC's military exports have only grown from £400m to £700m.

The document also highlights that GEC has only won one export order for two warships to Malaysia in the past 10 years while Vosper Thornycroft, a competitor in small warships, has increased its export business from £40m a year to £140m in the same period.

The UK lags behind French and German warship yards for exports to countries such as Australia, Greece, New Zealand, Saudi Arabia, Taiwan and Turkey, according to the document.

As well as attacking GEC's export record, BAe continues to argue that GEC's bid for VSEL unnecessarily eliminates competition between warship makers, and runs counter to the Ministry of Defence's competition policy. It quotes the ministry as saying that "competition is the cornerstone of our procurement policy".

The Office of Fair Trading is considering the competition merits of both bids. It is not thought that the MoD has raised significant objections to GEC's bid with the OFT. GEC has argued that little real competition will exist in UK shipbuilding whoever owns VSEL.

GEC declined to comment on the allegations made in the document. However, the MoD is thought to be disturbed by the prospect of a full-scale war of words breaking out between Britain's two largest defence contractors.

BAe also claims that GEC's abilities as a prime contractor are unproven while it has a strong track record, and attacks GEC's record on the Nimrod radar contract. However, GEC was not the prime contractor on this contract which was run by the MoD.

The formal document also confirmed that BAe's cash offer had been increased to match GEC's at £14, and is offering 3.3 BAe shares for one VSEL share, up from 2.747 shares in its original offer.

VSEL's articles of association have been amended to allow BAe to buy the company provided it wins the support of a majority of shareholders. A similar meeting of VSEL shareholders to allow GEC's bid to go through is scheduled for tomorrow.

Recovery reflects cost cutting at Pilkington

The glass maker has finally found favour with the City, writes David Wighton

The City has found little good to say about Pilkington's management since it fought off BTR's £1.2bn bid way back in 1987. However, the tune has finally changed. Yesterday analysts were full of praise, particularly for Mr Roger Leverton who was brought in as chief executive in July 1992.

"They deserve a lot of applause for what they have done. For Pilkington, the recession has been a good experience," said Mr Robert Donald, of NatWest Securities.

The recovery in half-year profits owed much to an improvement in Pilkington's main markets. But management action also deserves credit.

Criticised for being slow to cut costs at the onset of the recession, the company has since set about the task with a will. Almost £300m has been taken out of costs over the past four years with £42m, or 4 per cent, going in the six months to September. About 600 jobs went in the first half and another 1,000 are set to go before the end of the year.

The brisker than expected cuts and a strong performance in Brazil pushed Pilkington's profits comfortably above analysts' estimates. As a result, NatWest increased its full-year forecast from £119m to £140m, before disposal gains, and from £200m to £220m in 1995-96. For the following year it predicts profits not far short of the 1989 peak of £330m.

That will require a continuation in the price recovery being shown in most of Pilkington's main markets.

The main weak spot is Germany where prices for double glazing units are still sliding despite strong demand. Although the German float glass price is still 40 per cent below its 1989 level, two price rises have pushed it up by about 10 per cent this year. But this has not arrested the decline in downstream prices. "We have just put in another 5 per cent increase in float to try to force manufacturers to increase their prices. There is a limit to how much cost increases they can absorb," said Mr Leverton.

He points out that the capacity situation can change quickly. "In the US there was a lot of surplus capacity 18 months ago. Now we are running at 100 per cent, with shortages in certain areas."

This has followed rapid growth in demand for value-added products, such as Galaxsee, Pilkington's "privacy" glass for cars. Currently all the rage among fashion-conscious US car buyers, Galaxsee takes up more capacity and commands a premium price.

Despite recent disposals Pilkington's balance sheet remains stretched. Gearing, which reached 86 per cent following the purchase of Heywood Williams, was cut to 66 per cent at the end of the first half. But the company will fail to hit the year-end target of 50 per cent, partly because of the postponement of the partial flotation in Australia. Pilkington has also

restated its balance sheet to take account of revised accounting standards relating to US retirement benefits. This has reduced shareholders' funds by £100m, adding 7 percentage points to gearing.

However, interest cover widened to more than two times in the the first half and Pilkington remains determined to work out its debts without resort to a rights issue.

Its capital expenditure is running well below depreciation following the huge investment in new capacity in the late 1980s. Pilkington's main current projects are in South America, where it is building a float glass plant in Chile and a third line in Brazil. But there are some slightly ominous moves by its rivals elsewhere.

At least two new float plants are planned in the US, where car production is about to peak, and two large European distributors are planning to move upstream with a float plant in Alsace.

There is a long way to go yet, but when Pilkington's business peaks again, that will be the real test of its management.

Lowndes Lambert lifted to £6m by rise in new business

By Ralph Atkins, Insurance Correspondent

Despite increased competition in its sector, Lowndes Lambert, the London-based insurance broker, increased first half pre-tax profits by more than 15 per cent to £6m.

The group attributed the rise to growth in new business. Profits were also boosted by a first contribution from Whiteley Henshaw Hindle, a UK insurance broker, acquired for an initial £4.65m in June.

Excluding acquisitions, pre-tax profits for the six months to end September increased from £5.2m to £5.8m. Total turnover rose from £37.2m to £43m.

Mr Richard Shaw, chairman, said conditions in the group's main markets remained difficult, but he expected "further steady progress" in the second half. The group announced a reorganisation to remove overlaps between businesses and to focus UK activity into three divisions: UK non-marine, marine and international.

Mr Shaw said Lowndes would be well placed to take advantage of any shake-out in the insurance broking sector resulting from increased competitive pressures and the trend by many large companies towards buying fee-based, rather than commission based, services.

Lowndes' growth was largely based on "middle-tier" companies which continued to benefit from the broking services the group offered, he said.

The group announced a 10 per cent increase in its interim dividend to 2.75p (2.5p).

Earnings per share rose to 6.9p against 6.1p last time.

The shares closed 9p higher at 168p, with analysts impressed at the group's performance in tough conditions.

Cathay in profit at midway

By Simon Davies

Cathay International, the China-oriented investment group, yesterday announced a pre-tax profit of £1.57m in the six months ended September 30, against a £515,000 loss.

The company is involved in two substantial China investment projects that have been held up by Beijing bureaucracy. Operating profits however, rose from £168,000 to £2.03m on revenues from its two hotels.

The Landmark Hotel, in the Southern Chinese city of Shenzhen, contributed only 3 months of revenues, following its official opening on June 21.

Mr Stephen Hunt, deputy chairman, said the hotel experienced 75 per cent occupancy in October, with room rates gradually being raised, and revenues starting to come through strongly from its food and beverage operations.

The Xiyuan hotel remained profitable, but progress with the proposed 500,000 sq metre redevelopment on an adjoining site has been slow.

The company has received formal approval for its $143m (£87.1m) investment in a 60 per cent stake in a franchise to operate four toll bridges and a tunnel within the city of Guangzhou (Canton).

Earnings per share amounted to 0.025p (0.267p loss), but there will be no dividend.

Utd Breweries refinances and buys Inn Business

By Joan Gray

United Breweries, the financially troubled public house operator controlled by Mr Vijay Mallya which has had its shares suspended since September, has finally come to an agreement with its bankers about a refinancing.

Following support by Mr Mallya's UB Group of India and an unnamed institutional shareholder, a refinancing has been agreed which will be accompanied by a capital reorganisation, a placing and an open offer to shareholders.

The USM-quoted company, which had debts of £9m in September, is not disclosing the sum it hopes to raise, but the shares will be offered at substantially below the current suspended market price of 6¾p.

UB is also to acquire Inn Business, a privately-owned public house operator with 70 houses. The deal – for an undisclosed consideration – will more than double the number of public houses operated by the group.

The group originally breached its banking covenants last April after a £7.2m write-down in the value of its public houses.

Quiligotti back in the black

Quiligotti, the terrazzo floor tile manufacturer, returned to profit in the six months to September 30. The £230,000 pre-tax result compared with a £1.27m loss last time and a £2.53m loss at the year-end.

Mr Ken Hodgson, chairman, attributed the turnround to the new management team, saying that it had "paved the way for the future".

The purchase of R Cristofoli in April resulted in goodwill of £294,000.

Turnover was 8 per cent ahead at £7.55m (£7.01m). Earnings per share came out at 0.59p (16.45p losses), with no interim dividend.

Hydraulics side lifts Sterling

By Peter Pearse

Boosted by "strong growth" in the hydraulics division, pre-tax profits at Sterling Industries, the engineering group, leaped from £1.69m to £3.37m in the six months to September 30.

Cayzer Trust Company and Caledonia Investments own 48.8 per cent and 21.1 per cent holdings respectively in the group, while Sterling has a cross-holding of 9.7 per cent in Caledonia.

Mr Peter Buckley, chairman, said the hydraulics side had experienced "good growth in sales", which had led to improved margins. The group had been developing a new range of valves – solenoid, in particular – and some of the increase was attributable to new products coming on stream.

The thermal process division, accounting for about two-thirds of group sales, also lifted profits substantially, though while the increase in the US was good news, the difficult trading in Germany and the UK was bad.

However, Far Eastern contracts, derived from the Australian operation and achieved through "effective marketing of our fibreglass know-how", gave a boost to the division's figures.

Group turnover grew sharply to £28.2m (£18.3m) and operating profits swelled to £2.26m (£422,000). Investment income, including dividends from Caledonia, and minus interest payable was £1.11m (£1.01m).

Earnings rose to 8.81p (4.62p) and the interim dividend is lifted to 2.5p (1.8p), though some 0.4p of the rise is to establish a better balance between the interim and final pay-outs.

Royalty loss hits Kewill shares

Shares in Kewill Systems fell 32p to 244p on the news that the USM-quoted software group stands to lose £500,000 in royalty income in the second half, following the collapse of Microway, its main distributor in Germany.

The company, which distributed Kewill's CAD-CAM building services systems, was put into receivership last week.

However, Mr Kevin Overstall, chairman, said he was confident that "any sales shortfall will only be short term".

Mr Overstall also admitted that the group's marketing link with IBM was not yet generating the big orders originally anticipated, with lead times longer "and maybe a year or so out".

Meanwhile, pre-tax profits at Kewill Systems advanced 23 per cent, from £1.76m to £2.17m, for the half year to September 30. Turnover edged ahead from £16m to £16.4m.

UK operating profits improved 25 per cent to £1.49m. Profits in the US were 60 per cent ahead at £720,000, assisted by the "strong performance of the US economy", said Mr Overstall.

Group operating profits rose 24 per cent to £2.44m (£1.97m).

Net cash stood at £600,000 at the period end. A maiden interim dividend of 2.5p is declared on earnings per share of 12.16p (10.15p).

CONTRACTS & TENDERS

NEWS DIGEST

Turnround of £1.66m at Moran

Moran Holdings, the USM-quoted provider of management, financial and tea agency services, reported pre-tax profits of £1.39m for the year to June 30 against losses of £274,000.

The results reflected the group's reorganisation, said Mr Peter Theobald, chairman.

Mr Theobald added that the directors were negotiating an acquisition that would make a "significant contribution" to the surface forwarding division's prospects.

Turnover of continuing operations rose to £49m (£45.9m). Earnings per share emerged at 6.74p (16.64p loss) and steps were being taken to eliminate the deficit on the profit and loss account, Mr Theobald said, so that dividend payments could be resumed.

The shares closed 8p higher at 62p.

Atkins cuts losses

Atkins Group, the Leicestershire hosiery manufacturer, cut losses from £96,000 to £49,000 in the six months to October 1, on reduced turnover of £8.23m, against £8.81m.

Last year's result, however, included a £168,000 deficit on the closure of the fabric dyeing operation. Basic losses per share were 1.11p (2.1p) and the interim dividend has been held at 3.85p.

Mr Charles Lenox-Conyngham, chairman, said the hosiery division performed creditably in an increasingly volatile market.

Shires Investment

Shires Investment's net asset value per share slipped to 260.4p at September 30 against 292.2p at the March 31 year-end. Fully diluted, the fall was from 284.4p to 256p.

Net attributable revenue for the six months improved to £2.3m (£2.24m) for earnings per share of 8.42p (8.81p). A second interim dividend of 4.2p makes an unchanged 8.3p so far.

Birkdale in black

With all its principal operating companies showing profits, Birkdale Group, the advertising and marketing consultancy, returned to the black with pre-tax profits of £142,000 for the six months to September 30, against losses of £1.47m.

Turnover was £7.47m, compared with £11.6m which included £4.97m from discontinued activities. Underlying turnover growth was 12 per cent.

Earnings per share were 0.2p, compared with losses of 2.9p.

CML shares fall

Shares in CML Microsytems, the traffic control equipment manufacturer, dropped by 20p to 248p on the announcement of only a modest increase in first half profits and a warning from the chairman that any improvement in the overall result was unlikely in the current year.

Pre-tax profits for the six months to end September rose 3 per cent from £1.65m to £1.7m, on turnover up 13 per cent from £8.42m to £9.55m.

Earnings per share came out ahead at 6.39p (5.74p).

£80m programme of investment and acquisitions lined up for 1995

Laird plans £68m rights issue

By Simon Davies

Laird Group, the manufacturer of automotive components and building products, has launched a surprise £68m rights issue to fund a heavy programme of capital expenditure and acquisitions amounting to some £80m by the end of 1995.

The move was unexpected, given that the group's gearing is estimated at around 24 per cent, and that Laird is not looking at any substantial purchases.

However, Mr Ian Arnott, chief executive, said: "We've always had conservative long-term financing policies. We are setting up a strong financial framework for the future."

The announcement was accompanied by a pre-tax profits forecast of at least £46m for 1994, at the upper end of City forecasts.

Mr Arnott said there were positive signs of a pick-up in automotive sales in Europe, after a bleak 1993. Further benefits were being reaped from acquisitions outside the automotive industry, he added.

Laird's 1-for-5 rights issue is priced at 295p, representing a 17 per cent discount to Monday's closing price of 358p. The shares fell 6p yesterday.


Ian Arnott: setting up a strong financial framework for the future

The company had rights issues in 1989 and 1992, both primarily to fund capital expenditure. One analyst said: "I would like to see the company demonstrating that it can fund internal expansion from its working capital."

However, Laird is partly reacting to strong demand, leading it to invest in extra capacity at Fullarton, its US subsidiary supplying the personal computer industry, and its car body seals operation in Spain.

In the past two years, Laird has pushed ahead with diversification outside automotive products, making acquisitions in printing and packaging, window security and plastics.

Mr Arnott said Laird would like to build up 50 per cent of its profits from non-automotive products, and this would absorb substantial capital expenditure.

At the end of October, the group had net borrowings of £53.8m, and these would have started to increase sharply.

Laird's forecast of a 20 per cent increase in pre-tax profits was accompanied by a forecast final dividend of 6.9p (6.5p), putting the shares – at yesterday's close – on a p/e of close to 14 and a yield of 3.2 per cent for 1994.

● **COMMENT**

Rights issues with no immediate justification are always hard to sell, but Laird Group's offering is at least in keeping with the conservative character of the group. The offer will dilute earnings per share in 1995, since Laird is investing in projects with a long-term pay back. Analysts pushed up profit forecasts to around £57m for 1995, giving a prospective p/e of 13.4. However, despite economic recovery in the US and UK, profit margins remain under pressure and the shares look fully valued.

Exceptional lifts Whitecroft to £8.7m

By Ian Hamilton Fazey, Northern Correspondent

Whitecroft, the Cheshire-based lighting, textiles, building products and medical cotton fibres group, yesterday reported a sharp increase in pre-tax profits from £1.82m to £8.74m for the six months to September 30.

However, £5.91m of this came from the disposal last April of Whitecroft's option to renew its lease on a Stockport office block.

Stripping this out gives a fairer picture of Whitecroft's success at restructuring, after its near-collapse in the recession. Operating profits were 55 per cent ahead at £2.83m, on turnover only 10 per cent up at £66.7m (£60.8m).

Earnings per share were boosted to 16.7p (3.6p) as a result of the exceptional item, which accounted for 11.7p. The remaining 5p, however, has encouraged Whitecroft to pay its first interim dividend – 1.5p – since the recession caught the company badly exposed in property markets.

By stressing the exceptional nature of the results, Whitecroft is dampening expectations that however successful it is in its normal markets, the company may not be able to match this financial performance next year.

It has given its investors a roller-coaster ride for the last four years, but is stressing that future profit fluctuations should be temporary or technical.

Mr Mike Derbyshire, chief executive, said disposals and sales from Whitecroft's written-down property portfolio have reduced borrowings to under £10m and gearing to 29 per cent. A year ago, gearing was 119 per cent and borrowings £30m.

All divisions made operating profits, with lighting the star performer at £2.32m (£1.89m). Medical cotton fibre - used in tampons and medical products - made only £567,000 (£1.06m) because of a 50 per cent rise in world cotton prices. Passing some of this on to customers saw sales volume drop by 7 per cent.

NEWS DIGEST

Cosalt maintains recovery

An improvement from its four main divisions enabled Cosalt to maintain its recovery with a pre-tax profit of £2.58m for the year ended August 28, against a £232,000 loss previously.

Profits from continuing activities nearly doubled to £3.59m (£1.86m) and included fibres £845,000 (£426,000); safety and protection £769,000 (£563,000); holiday homes £1.64m (£649,000) and workwear £684,000 (£295,000).

Discontinued activities incurred losses of £10,000 (£673,000) on turnover of £590,000 (£8.27m) included in a total figure of £68.4m (£69.2m).

Earnings per share were 14.17p (2.72p losses) and the final dividend is 5p for a total of 8p (5.375p).

The shares rose 19p to 154p yesterday.

Tex back in black

Tex Holdings, the supplier of consumables to the plastic, steel and energy industries, returned to profits in the six months to September 30 with £283,000 pre-tax on turnover up 3.5 per cent at £12.7m, against £12.3m.

At the midway stage last time there were profits of £486,000 but the full-year figure fell to £273,000 after reduced project income and provisions for exceptional costs.

The company said that it had recently been notified by a customer of the possibility of a substantial claim which it would defend.

Earnings per share came out at 3p (5.1p).

N American Gas

North American Gas Investment Trust had net asset value per share of 94.4p at October 31, compared with 92.9p at the July 31 year end and 100.4p 15 months earlier.

The trust, which invests in oil and gas production in Canada and the US, reduced its net deficit from £3.01m to £240,000 in the year to the end of July. Losses per share were 0.68p (8.54p).

The disposal last week of its holding in Atlantis Resources resulted in proceeds of C$23.4m (£10.4m), realising 32 per cent of the company's net assets.

In the three months to October 31 the net deficit was £85,000, against revenue of £43,000 for losses per share of 0.24p (earnings 0.12p).

TDS raising £1m

TDS Circuits, the USM-traded printed circuit board maker, is raising £1m, net of expenses, by the placing and open offer of 10.7m new ordinary shares at 10p each.

Funds raised will be used to maker certain capital investments in order to increase both capacity and technological capability.

All the new shares have been conditionally placed by Henry Cooke Lumsden with the company's controlling shareholder, Zincocelere, and are subject to recall under the open offer. Terms are three new ordinary for every 10 ordinary or two new ordinary for every one convertible preferred share held.

Shareholders' funds had fallen to less than £1.6m at the end of 1993, while borrowings were more than £3.5m, being wholly owed to or supported by other members of the Olivetti Group.

Preference dividend arrears totalled £1.34m at June 30 1994, while there was a profit and loss deficit of more than £5.2m at December 31 1993.

Appld Holographics

The postponement of orders from some Japanese customers contributed to increased losses at Applied Holographics in the six months to September 30. In addition CFC AH, the US joint venture, failed to achieve its planned profits.

The shares lost 15p to close at 83p.

On turnover up 12 per cent from £3.04m to £3.39m pre-tax losses were £310,000 (£60,000) after taking a share of £125,000 (£71,000) of the joint venture loss. Losses per share came out at 1.4p (0.29p).

The USM-quoted company, which supplies holographic film, hoped the deferred business would benefit the second half. The joint venture arrangement had been reorganised so the US partner would be fully responsible for funding and bear any losses after October 1 1994.

China Investment

China Investment Trust raised net assets per share by 26 per cent to 139.9p at September 30, against 111p a year earlier.

After-tax revenue for the six months was £191,243, compared with £47,259 for the shorter period from May 25 to September 30 1993. Earnings per share quadrupled to 1.2p (0.3p).

Queensborough

Queensborough Holdings, the leisure and hotels group, returned to the black with a pre-tax profit of £50,000 for the six months to July 31. This compared with an interim loss of £278,000 last time and a £424,000 loss at the year-end.

The USM-traded company, which changed its name from Flagstone Holdings earlier this month, had turnover of £1.26m (£250,000).

Mr Kevin Leech, who was appointed executive chairman in August, said the company was applying to return to a full listing, and that its "primary objective" was to declare a dividend as soon as circumstances permitted. Earnings per share were 0.01p (0.2p losses).

Tadpole Technology falls £1.3m into red

By Alan Cane

Tadpole Technology, the Cambridge-based manufacturer and market leader in high powered notebook computers, lost money last year as anticipated, as it continued to invest heavily in manufacturing infrastructure, research and development.

Revenues grew strongly, however, and there was an operating profit of £671,000 in the second half of the year. The share price, which has been climbing steadily over the past few months, slipped 11p to 402p.

The loss before tax amounted to £1.3m, compared with profits of £749,000. Revenues grew 42 per cent to £32.5m (£22.9m) while losses per share came out at 5.4p (3.5p earnings). No dividend is recommended.

Tadpole's principal products are high performance notebook computers, where it reckons to have a six to 12 months lead over other manufacturers – and electronic circuit boards which it designs and builds for other companies.

Its growth in revenues this year, 79 per cent of which derive from the notebook workstation business, result from the success of its "Sparcbook" line, designed around chips from Sun Microsystems. It is also designing notebook computers for International Business Machines and Digital Equipment.

This year it announced a $20m (£12.1m) order for Sparcbooks to be used by the US Air Force. It has also taken a $20m order for the development and manufacture over four years of customised printed circuit boards for an as yet unnamed customer.

Tadpole's principal development this year has been the launch of the world's most powerful notebook personal computer based on Intel's Pentium chip. Tadpole claims that its machine is at least twice as fast as competing products. Analysts believe it could sell between 5,000 and 25,000 of the machines next year at prices in excess of £7,000 each.

Mr George Grey, chief executive, said the company might have to raise new money for manufacturing infrastructure if the machines proved more successful than expected. There might be problems with a shortage of chips and colour monitor screens. He said the current year showed excellent prospects for revenue and earnings growth, biased towards the second half.

Flogas doubled to I£1.1m

Growth in its liquefied petroleum and natural gas markets helped Flogas, the Irish gas supplier, to more than double its first half pre-tax profits to I£1.06m (£1.05m).

The figure for period to end-September compared with I£414,000, which was after exceptional costs of I£320,000.

Turnover was up from I£19.7m to I£21.5m. Earnings per share were 3.41p (1.31p). The interim dividend is 3.57p (3.24p).

Molins makes £28m buy and £12.2m placing

By David Blackwell

Molins, the tobacco and packaging machinery group, is acquiring a Nottingham-based maker of specialist packaging machinery for a maximum £28m and is placing 2.46m shares at 498p a share to help pay for it.

Sandiacre is being acquired for an initial £27m plus a profit-related £1m. The initial consideration is being met by the issue of 521,236 new shares and £12.2m in cash plus the £12.2m proceeds of the placing.

Yesterday the shares closed at 515p, down 3p.

Sandiacre, with net assets of £3.5m, makes machinery which forms bags from rolls of plastic material, fills them, and seals them. Typical goods packaged using the machinery are coffee, sugar, powder detergent, and crisps and snacks.

Molins has long sought an acquisition outside cigarette making, which accounts for most of its profits. "We have been very picky," said Mr Peter Greenwood, managing director. "We were looking for a specialist machinery maker with world potential."

He believes Sandiacre, which made operating profits of £3.8m on sales of £9.7m in the year to the end of July, is "almost an ideal fit" with Molins' strategy of concentrating on machinery that handles delicate materials at high speed.

Sandiacre would benefit from Molins' engineering experience, but more importantly Molins' worldwide sales network would take it into new markets. "We expect to provide service and support in markets where Sandiacre has barely scratched the surface," said Mr Greenwood.

Half of Sandiacre's sales are in the UK, with most of the rest going to Europe. Molins expects to sell the machinery in the US, South America and south-east Asia.

The company is at present 100 per cent owned by the founding Davison family and their interests. Mr Clive Davison will stay on as managing director.

Readicut declines to £5.4m after contract problems

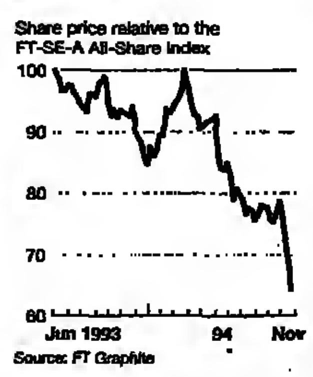
By Richard Wolffe

Pre-tax profits at Readicut International fell 20 per cent at the interim stage as the household textiles, carpeting and yarn company suffered production difficulties on a military contract.

The Yorkshire-based group lost £1.2m on a contract at its textile bonding division, which had to take over the manufacture of ballistic products from a sub-contractor.

Analysts cut full-year profit forecasts from about £18m to £14.5m. The shares closed down 4½p at 67½p.

Readicut



Source: FT Graphite

The pre-tax profits decline, from £6.73m to £5.41m, in the six months to September 30, was on lower turnover of £100.7m (£113.4m). Last year's figures included the discontinued operations of Firth Furnishings, the car carpets producer, and Readicut Wool, the handicrafts distributor.

Operating profits on continuing operations also declined, to £5.72m (£6.67m), as margins were squeezed by raw material price rises. Polymer prices rose by 80 per cent in the six months, with UK wool costs increasing by 20-30 per cent.

Mr Clive Shaw, managing director, said: "Conditions in the UK are still not ideal and continental Europe is still difficult."

The core carpet division reported operating profits of £2.68m (£2.07m) on turnover of £43.4m (£41m) as its US activities enjoyed better trading conditions. The UK operation, Firth Carpets, replaced a 10 per cent drop in domestic sales with a similar rise in contracts.

Yarns and fibres lifted operating profit to £1.87m (£1.79m) on turnover of £24.5m (£23.6m) as the company succeeded in passing on the higher raw material costs.

However, furnishings and household textiles dipped into the red with operating losses of £65,000 (£801,000 profits) on turnover up 11 per cent to £23.6m (£21.3m).

Net interest costs fell to £308,000 (£665,000) and gearing fell from 18 to 5 per cent.

Earnings per share declined to 1.83p (2.36p) and the interim dividend is held at 0.63p.

On the revised profit forecasts the prospective p/e is 14 at yesterday's closing price. Analysts said they were surprised by the textile bonding losses and the speed with which raw material costs had affected Readicut's profits.

French buy for Hammerson

By Simon London

Hammerson has made its second French property acquisition inside a week, paying £32.6m for the controlling interest in a property subsidiary of Axa, the French insurer.

Hammerson is buying 66 per cent of Compagnie des Immeubles de la Plaine (CIPM), which owns 55 boulevard Haussmann in central Paris.

The property comprises 114,000 sq ft of retail and office space. The annual rental income attributable to Hammerson under the deal is about FFr19m, suggesting a yield of 6.8 per cent at the purchase price.

Last week, Hammerson paid £55m for a shopping centre located just outside Paris. The company raised £250m last month from the sale of its Australian property assets.

Anglo Irish Bank turns in 57% advance to I£14.5m

By John Murray Brown in Dublin

Anglo Irish Bank Corporation, which is listed on the Dublin stock exchange, reported a 57 per cent increase in pre-tax profits to I£14.5m (£14.3m) for the year to September 30, despite sluggish loan demand in the first half.

The bank's UK operation reported a return to profit with I£1.3m compared with a loss in 1993 of I£333,000.

The bank, with its core lending to small and medium sized business, increased earnings per of share from the 1993 level of 4.98p, as adjusted for a rights issue, to 5.02p.

The rise was achieved despite additional personnel costs as the company expanded its UK managerial staff and a share capital increase following the rights issue in January.

Net interest income was slightly ahead at I£27.9m (I£26.8m).

Fee income more than doubled to I£5.38m (I£2.1m).

Treasury profits were also substantially ahead at I£3.1m. However, overheads were also higher, at I£13.6m (I£12.4m).

There were bad debt write-offs of I£6m.

Non performing loans stood at I£30m. The bank maintains a conservative policy, with 86 per cent of non performing loans provisioned for.

The deposit base improved, with deposits up 23 per cent to I£1.18bn.

The bulk of new deposits came from smaller retail customers.

The bank reported slack loan demand in the first nine months, but a marked improvement in the last quarter, which has continued through the first six weeks of the new year.

Leasing business has been virtually static, although 1994 saw a strong advance in total assets, which grew 31 per cent to I£1.4bn.

A final of 2p is recommended, for a 3.36p total.

COMMODITIES AND AGRICULTURE

World Bank man pours cold water on commodity hopes

By Alison Maitland

A senior World Bank economist yesterday dismissed the view that commodities, which have seen huge price increases this year, could prove to be a long-term investment on a par with equities.

Mr Donald Mitchell, senior economist at the bank's commodities unit, told a conference in London that the rally was a short-term reaction to a plunge in prices over the past decade and not the start of a "major uptrend".

"Commodities are not a buy-and-hold type of investment," he said. "You can make huge amounts of money by speculating. But you have to have a view and understand the markets.

"Commodities primarily belong to the hedgers and speculators, not to the investors."

Commodities are strongly in favour this year as a way of diversifying investment portfolios out of poorly performing equities and bonds. Funds specialising in commodities have been launched on the back of increases such as a tripling in coffee prices and a rise of more than 50 per cent in aluminium, copper and cotton.

But Mr Mitchell pointed out that if commodities turned out to be an asset class in their own right, worth holding for the long-term, "it would defy 100 years of history".

A sustained increase in prices over more than two or three years would require a shift in wealth to the developing world, and a consequent surge in demand for commodities, similar to the oil price boom of the 1970s, he argued.

But circumstances had changed. The Soviet Union, a large importer of commodities in the 1970s, no longer existed; Opec countries had financial problems preventing them from expanding imports; and China had shifted from being a major importer of grain to being a net exporter. Rapid growth in some developing countries was no longer accompaniad by an equivalent increase in imports.

He said, however, that commodity price movements appeared to offer investors a negative correlation with interest rates, which "may be useful". He also felt that metal and mineral prices had some way to rise, while agricultural commodities had "by and large had their boom."

Other speakera were more upbeat about the potential for commodities at the conference, whicb was organised by Futures and Options World, a publishing company, and Rostron Perry, a public relations company focusing on derivatives, and sponsored by Reuters.

Mr Neil Bresolin, an executive director of Goldman Sachs, the US investment bank, said commodity investors were at, or close to, the middle of a bull market. Metals in particular should benefit from rapid growth in industrial production still to come in the US and Europe.

"There's a high positive correlation between commodity prices and industrial expansion," he said. "You can get direct exposure and participation in global growth [by investing in commodities]. It's also an insurance against unexpected events."

Mr Roy Leighton, chairman of Credit Lyonnais Rouse, the French banking group's commodity derivatives arm, argued that over-the-counter instruments such as swaps and index warrants offered advantages to "fundamental" portfolio managers.

They provided opportunities to invest in commodities such as jet fuel, which could be highly sensitive to events in the Gulf but was not yet quoted on a futures exchange. They were flexible and allowed trade to take place further forward than in futures markets.

"Provided yon have a reliable counter-party, these markets can be quite safe," he said.

Gold market 'could absorb' IMF sales

By Peter Norman, Economics Editor

The International gold market could easily absorb sales from the International Mnnetary Fund of the order recently proposed by Mr Kennetb Clarke, the UK chancellor, a leading gold banker said yesterday.

Mr Robert Guy, a director of N M Rothschild & Sons, said Mr Clarke's plan for the IMF to sell up to 10 per cent of its gold stocks to create a fund to ease the debt burdens of poor developing countries was practical.

"The gold market could easily absorb an additional supply of 320 tonnes from the IMF provided the sales are spread over a reasonable period," Mr Guy said.

He told the third City of London Central Banking Conference, that the chancellor's proposed sales would be easier for the market to manage than the last IMF gold sales in the 1970s.

The last IMF gold sale programme was larger, totalling more than 700 tonnes, and the Fund was competing as a seller with the US Treasury and some other IMF members who had gold returned to them by the Fund.

This time "there would be no parallel sales either by the US Treasury or as a consequence of restitution", Mr Gny said.

Moreover, the gold market has since become much larger, coping last year witb total supply of 3,257 tonnes, compared with 1,765 tonnes in 1979, and more sophisticated, with a greater number of professional dealers able to handle an anction process, he added.

LME WAREHOUSE STOCKS
(As at Monday's close)
tonnes

Aluminium	-19,625	to 1,888,550
Aluminium alloy	+40	to 26,720
Copper	-1,500	to 321,725
Lead	-1,750	to 359,875
Nickel	+30	to 150,462
Zinc	-1,625	to 1,210,500
Tin	+50	to 29,045

Saudis take the heat out of Opec talks

Robert Corzine on a meeting driven by 'economic self-interest'

President Suharto of Indonesia may have been right when he told Monday's meeting of the Organisation of Petroleum Exporting Countries that tbe peaceful atmosphere of Bali would pervade their usually troubled and acrimonious deliberations on oil prices.

Or maybe it was just Bali's energy-sapping heat, as delegates from even tbe hottest Middle Eastern countries struggled to cope with temperatures in the high nineties fahrenheit and humidity to match.

Whatever the reason, oil ministers yesterday succumbed easily when Saudi Arabia, Opec's largest producer, made it clear that it wanted quick agreement on its surprise plan to roll over Opec's existing production ceiling for the whole of 1995.

Kuwait, Libya and Gabon expressed last minute reservations. But all resistance crumbled before the united front presented by the other eight members, including Iran, so often a dissenting voice within Opec.

It was, however, "economic self-interest" which drova the delegations to an early agreement, according to a Gulf Arab official.

All the countries share a "common goal" of lifting oil prices higher than the present level of about $17 for the benchmark Brent Blend. The differences at this week's talks were only about how to achieve it.

The option of a three month roll-over was never seriously considered because delegates feared that it would merely set off renewed market speculation about Opec's next move.

A cut was also not a serious option. "I can't see any country willing to go below the ceiling," said one delegate last night.

Saudi Arabia dropped its widely-signalled support for the six-month roll-over option in the days leading up to the meeting. A Gulf Arab official said the six-month option could only have been justified "if you believed" forecasts for 1995 which assumed that non-Opec would not be able to capture any of the 800,000-1m barrel a day increase in demand expected during the year.

Saudi Arabia clearly did not, although the kingdom did not inform any of its colleagues about its change in position until Saturday, when Mr Hisham Nazer, its oil minister, arrived in Bali.

The one year plan meets a number of Saudi aims, according to analysts. It sends a signal to the markets that the kingdom is prepared to forego volume increases in favour of firmer prices. It also largely eliminates market uncertainty associated with frequent Opec meetings. And, more importantly, it confirms that the Saudis want to shift the burden of maintaining stocks on to oil companies and refiners.

A Gulf Arab official said he expected that the international oil industry would have to hold more stocks and compete more fiarcely with each other for available crude oil supplies as a result of the agreement.

The one-year roll-over also reflects a Saudi preference for Opec to focus on longer term goals, rather than trying to set short-term prices. "Technical factors are more important than Opec" in the short term, said one delegate.

But a Saudi official said the one-year roll-over did not necessarily represent a sea change in an oil policy that has tended to emphasise market share.

"We're not rigid in terms of market shares," he said. "We like a good share and a good price."

So will the Saudi plan succeed in achieving that aim? Opinions vary widely, with few delegates forecasting any big jump in prices. Many expect the benefits of the roll-over to be relatively modest, with little likelihood that the cartel will soon achieve its reference price of $21 a barrel for the Opec basket, an index of seven international crude oils.

A big uncertainty remains the upward trend in non-Opec production. One Arab delegate yesterday admitted that North Sea operators "out-manoeuvred us with their increased production this year".

There is also uncertainty about possible quota cheating by Opec states should prices risa. That was said to be Kuwait's biggest reservation about the plan.

Mr Nazer declared yesterday: "Over production is a problem. We're very keen to have everyone abide by quotas".

Funds sought for diamond projects

By Kenneth Gooding, Mining Correspondent

Ashton Mining of Australia has two exciting diamond projects that, if all went well, might be mined in 1997, according to Mr John Robinson, the chief executive.

The race is between Ashton's Merlin prospect in the Batten area of Australia's Northern Territory, where the company has been exploring for 15 years, and its new diamond province in Finland.

Ashton has been exploring in Finland for eight years but kept its operations there secret until September this year because Finnish laws do not provide for large and long-life exploration licences. The company is still not revealing the precise locations of some of the prospective areas in Finland where it has found "commercially significant concentrations" of diamonds.

Mr Robinson, speaking to analysts in London this week, said that Ashton was looking at options for substantial further funding if the projects lived up to their present promise. The least attractive option would be to bring in a partner for joint ventures. He preferred the idea of floating projects so as to bring in public money.

Ashton is Australia's biggest diamond mining company via its 40 per cent holding in the Argyle mine in Western Australia, the world's largest producer in voluma terma. Argyle's present reserves guarantee its open pit operations through to 2004 but Mr Robinson said there was a good chance that moving to underground mining could extend the mine's life considerably.

He was "very optimistic" about diamond market prospects for the next ten years. Demand would grow strongly as new markets, such as China, India and Mexico, developed from a small base. On the supply side, apart from Ashton's two projects, only the discovery by another Australian group, Broken Hill Proprietary, in Canada's North West Territories, seemed to offer much promise. He admitted, however, that there were unanswered questions about the size of Russia's diamond stockpiles and what it might do with those gems.

MARKET REPORT

Sugar prices hit fresh highs

London white SUGAR futures rallied to fresh contract highs yesterday as bullish fundamentals, including talk of fresh buying from China and estimates for a higher 1994-95 deficit prompted mixed buying, dealers said.

COFFEE futures also bounced to close sharply firmer on mixed buying, short-covering and New York's bullish trend, after sliding to over four-week lows in early trading.

A quieter day at the London Metal Exchange prompted holders of long positions to lighten their load a little, which put some downward pressure on prices.

Compiled from Reuters

Credible coffee data base called for

By Alison Maitland

Establishing a credible data base on world coffee output must be a priority for producers, according to the secretary-general of the Association of Coffee Producing Countries.

Mr Roberio Oliveira Silva told a meeting of tha Interafrican Coffee Organisation in Lomé that uncertainty over the true levels of supply was contributing to the highly volatile behaviour of tha coffee market.

"No organisation exists whicb has the conditions to assess the world level of production and the conditions in each producing country, including the difficult question of production costs," ha said.

"I am convinced this is one of the most important tasks the ACPC has to undertake: to organise a data base on world coffee prodnction with sufficient credibility to be able to make a difference to the situation in the market today."

The ACPC was established last year when producers introduced a successful export retention scheme. Mr Silva said the organisation also had to work with the International Coffee Organisation to achieve higher long-term consumption.

● The International Sugar Organisation yesterday predicted a bigger deficit for the coming year of 1.9m tonnes, compared witb 1.3m tonnes forecast in September.

Production in Europe alone, hit by poor weather in June and July, was expected to be 1.63m tonnes lower in 1994-95.

The ISO said a second year of deficit provided strong support for prices at current levels, but warned that big buyers such as China, India or Russia were extremely price sensitive.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1987-8	1992-3
Previous	1987-88	1988-89
High/low	2001/2000	2015/1988
AM Official	2000.5-1.5	1999-9.5
Kerb close		1977-8
Open int.	251,906	
Total daily turnover	69,544	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1865-75	1900-05
Previous	1860-70	1900-05
High/low		1812/1900
AM Official	1880-6	1912-5
Kerb close		1900-05
Open int.	8,040	
Total daily turnover	485	

■ LEAD ($ per tonne)

Close	671.5-2.5	689-90
Previous	672.5-3.5	690.5-91
High/low		692/686
AM Official	673-4	690-0.5
Kerb close		688-90
Open int.	43,069	
Total daily turnover	5,841	

■ NICKEL ($ per tonne)

Close	7650-60	7775-80
Previous	7655-65	7780-90
High/low		7840/7770
AM Official	7680-90	7810-15
Kerb close		7780-90
Open int.	66,500	
Total daily turnover	12,718	

■ TIN ($ per tonne)

Close	6215-20	6305-10
Previous	6240-50	6330-40
High/low		6370/6290
AM Official	6245-50	6335-40
Kerb close		6290-90
Open int.	21,342	
Total daily turnover	4,835	

■ ZINC, special high grade ($ per tonne)

Close	1165.5-6.5	1192-3
Previous	1175.5-6.5	1201-3
High/low	1170	1202/1187
AM Official	1170-70.5	1196-7
Kerb close		1189-90
Open int.	111,037	
Total daily turnover	22,045	

■ COPPER, grade A ($ per tonne)

Close	2835-7	2811-12
Previous	2875-7	2831-2
High/low	2857/2856	2840/2790
AM Official	2856-7	2823-4
Kerb close		2797-8
Open int.	235,353	
Total daily turnover	54,090	

■ LME AM Official £/$ rate: 1.5689
LME Closing £/$ rate: 1.5706

Spot:1.5695 3 mths:1.5696 6 mths:1.5685 9 mths:1.5673

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Nov	133.10	-3.90	135.50	133.00	575	148
Dec	132.25	-4.10	135.95	132.00	25,430	8,628
Jan	129.15	-3.35	132.50	128.50	957	2
Feb	128.30	-3.05	129.70	128.70	766	14
Mar	128.95	-2.35	129.10	126.70	18,856	5,156
Apr	124.85	-1.50	-	-	677	26
Total					58,280	14,539

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	384.10-384.50	
Opening	383.40-383.80	
Morning fix	383.70	244.504
Afternoon fix	383.80	244.303
Day's High	384.20-384.60	
Day's Low	383.20-383.60	
Previous close	383.00-383.30	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.97	6 months	5.47
2 months	5.12	12 months	5.98
3 months	5.19		

Silver Fix	p/troy oz.	US cts equiv.
Spot	328.25	515.00
3 months	333.20	522.75
6 months	338.25	530.40
1 year	351.05	549.65

Gold Coins	$ price	£ equiv.
Krugerrand	385-388	245-248
Maple Leaf	386.85-390.50	-
New Sovereign	89-92	57-60

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Nov	383.6	+0.4	-	-	59,795	36,607
Dec	383.8	+0.3	384.4	383.1	-	-
Jan	385.6	+0.3	-	-	37,061	13,272
Feb	387.6	+0.4	388.2	386.9	13,050	415
Apr	391.4	+0.4	391.8	391.0	13,595	1,534
Jun	395.5	+0.4	395.9	394.9	8,598	-
Total					167,964	82,857

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Jan	410.9	-0.7	412.8	410.5	15,762	1,689
Apr	415.4	-0.7	417.0	415.0	7,789	181
Jul	419.7	-0.6	-	-	1,977	3
Oct	424.3	-1.3	-	-	509	-
Jan	427.3	-1.3	-	-	12	-
Total					7,639	1,190

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	155.00	1.25	155.50	154.25	1,906	861
Mar	156.10	1.35	156.50	155.75	5,062	947
Jun	157.10	1.35	157.50	157.50	573	26
Sep	157.60	1.35	-	-	96	-
Total					28,848	3,398

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Nov	513.8	-1.3	513.0	513.0	400	450
Dec	514.2	-1.5	517.0	512.5	46,501	13,638
Jan	516.5	-1.5	-	-	89	1
Mar	522.8	-1.5	526.0	521.5	48,050	6,204
May	528.6	-1.5	532.0	529.0	5,627	110
Jul	535.1	-1.5	539.0	536.0	8,103	192
Total					133,654	20,910

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	17.61	+0.05	17.64	17.51	2,997	14,101
Feb	17.84	+0.08	17.90	17.54	111,382	48,441
Mar	17.85	+0.09	17.75	17.59	52,175	16,081
Apr	17.68	+0.14	17.75	17.63	32,658	8,180
May	17.88	+0.14	17.70	17.62	18,281	3,667
Jun	17.68	+0.14	17.74	17.58	15,163	2,316
Total					380,278	101,105

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Jan	16.96	+0.01	17.13	16.05	92,654	24,116
Feb	16.74	-	16.85	16.58	31,870	9,160
Mar	16.58	+0.04	16.68	16.57	16,409	2,771
Apr	16.54	+0.08	16.60	16.47	6,364	1,110
May	16.48	+0.10	16.53	16.42	4,189	630
Jun	16.48	+0.23	16.50	16.40	3,631	30
Total					164,949	38,847

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	49.05	+0.49	49.35	48.50	28,578	11,953
Jan	49.60	+0.46	49.90	49.15	44,322	7,904
Feb	50.30	+0.46	50.50	49.65	25,170	4,477
Mar	50.30	+0.46	50.35	49.90	13,961	3,502
Apr	49.45	+0.26	49.60	49.50	9,212	1,090
May	48.95	+0.10	49.00	49.00	5,058	136
Total					153,715	23,526

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	149.25	+0.75	150.00	147.25	33,330	7,135
Jan	151.75	+0.50	152.25	150.00	23,892	4,499
Feb	153.50	+1.00	154.00	151.50	14,385	3,321
Mar	154.00	+1.25	154.00	152.25	8,815	1,566
Apr	152.50	+1.00	153.00	151.00	2,983	803
May	152.00	+0.75	152.25	151.25	840	157
Total					89,386	17,374

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	1.830	+0.169	1.830	1.820	20,268	15,245
Jan	1.867	+0.056	1.879	1.810	25,515	9,380
Feb	1.855	+0.040	1.865	1.815	11,147	3,247
Mar	1.845	+0.030	1.850	1.815	6,275	885
Apr	1.810	+0.030	1.810	1.775	5,957	765
May	1.809	+0.026	1.815	1.778	2,194	750
Total					75,478	30,277

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Dec	54.80	+0.16	55.35	54.30	20,268	15,245
Jan	54.10	+0.45	54.55	53.55	25,515	9,380
Feb	54.00	+0.35	54.45	53.60	11,147	3,247
Mar	54.50	+0.46	54.60	54.15	6,275	885
Apr	57.40	+0.46	57.50	57.30	5,857	765
May	56.50	-	-	-	2,194	750
Total					75,478	30,277

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	105.25	+0.75	106.50	105.00	135	73
Jan	106.50	+1.10	106.50	105.95	1,951	214
Mar	108.45	+1.20	108.40	108.00	1,639	87
May	110.45	+1.15	110.40	110.00	1,667	60
Jul	112.20	+1.30	-	-	129	-
Sep	94.00	-	-	-	64	-
Total					6,255	434

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	366/6	-7/4	373/0	365/4	-	-
Mar	380/6	-8/0	385/4	380/2	-	-
May	365/6	+-2/6	366/6	365/2	-	-
Jul	337/0	+1/0	339/0	334/6	-	-
Sep	344/2	+2/2	344/2	343/0	-	-
Dec	353/0	-	355/0	350/0	-	-
Total					N/A	N/A

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	215/0	-1/2	216/6	214/6	-	-
Mar	225/4	-2/0	227/6	225/2	-	-
May	232/4	-2/2	234/4	232/2	-	-
Jul	236/6	-2/4	239/0	236/4	-	-
Sep	241/2	-2/0	243/2	241/0	-	-
Dec	246/2	-2/0	247/6	245/6	-	-
Total					N/A	N/A

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	101.20	-0.30	-	-	-	-
Jan	103.00	+0.60	03.00	02.65	483	17
Mar	105.50	+0.75	05.10	05.00	139	9
May	107.40	+0.15	-	-	44	-
Sep	94.00	+2.00	-	-	20	-
Nov	95.00	-	-	-	66	-
Total					752	26

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	565/6	+2/2	566/2	562/0	-	-
Mar	575/0	+2/2	575/6	571/0	-	-
May	582/4	+2/2	582/6	578/4	-	-
Jul	587/6	+1/6	588/0	584/4	-	-
Aug	590/0	+1/4	590/0	588/0	-	-
Sep	591/0	+2/0	591/0	589/2	-	-
Total					N/A	N/A

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	28.21	-	28.25	27.75	-	-
Jan	27.22	+0.20	27.25	26.70	-	-
Mar	26.17	+0.26	26.20	25.80	-	-
May	25.32	+0.09	25.35	25.00	-	-
Jul	24.63	+0.03	24.57	24.40	-	-
Aug	24.30	-0.02	24.40	24.20	-	-
Total					N/A	N/A

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	159.4	+0.5	159.9	158.7	-	-
Jan	161.2	+0.5	161.7	160.5	-	-
Mar	164.7	+0.3	165.3	164.2	-	-
May	168.9	+0.4	169.4	168.6	-	-
Jul	173.6	+0.2	174.2	173.3	-	-
Aug	175.4	+0.1	176.0	175.4	-	-
Total					N/A	N/A

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	105.0	-	-	-	-	-
Apr	272.5	-4.0	276.0	270.0	1,170	172
May	286.0	-	-	-	1	-
Jun	250.0	-	-	-	-	-
Total					1,171	172

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1892	+7	1894	1885	242	8
Dec	1898	+9	1899	1890	356	9
Jan	1811	+6	1814	1790	1,091	45
Apr	1710	+5	1710	1700	1,013	62
Jul	1498	+2	1500	1500	135	10
Oct	1840	-	-	-	-	-
Total					2,858	132

	Close	Prev
BFI	1676	1682

Minor Metals
European free market, from Metal Bulletin. $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 5,850-5,950 (5,950-6,050). Bismuth: min. 99.99%, tonne lots 3.60-3.90 (3.80-3.95). Cadmium: min. 99.5%, 180-190 (180-195) cents a pound. Cobalt: MB free market, 99.8%, 26.30-27.30 (26.00-27.00); 99.3%, 24.80-25.75 (24.50-25.50). Mercury: min. 99.99%, $ per 76 lb flask, 120-140 (115-135). Molybdenum: drummed molybdic oxide, 7.50-8.00 (7.00-7.50). Selenium: min 99.5%, 3.45-4.65. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 50-60 (45-55). Vanadium: min. 98%, cif, 1.55-1.70 (1.45-1.55). Uranium: Nuexco exchange value, 7.00.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	977	-2	987	968	17,605	1,363
Mar	993	-5	1006	987	44,077	3,663
May	996	-8	1010	993	15,885	519
Jul	1004	-5	1019	1004	6,828	32
Sep	1014	-5	1027	1014	12,964	40
Dec	1030	-5	1044	1029	10,161	30
Total					114,853	5,873

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1302	-3	1310	1282	1,240	448
Mar	1340	+3	1343	1331	44,105	4,967
May	1365	+5	1366	1355	9,264	200
Jul	1388	+4	1388	1380	3,837	109
Sep	1412	+4	1412	1412	1,578	-
Dec	1442	+4	-	-	6,132	-
Total					71,302	5,774

■ COCOA (ICCO) (SDR's/tonne)

Nov 21	Price	Prev. day
Daily	1004.28	994.33

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	3093	+60	3080	3031	327	29
Jan	3135	+60	3145	3050	10,439	1,996
Mar	3117	+74	3119	3035	8,611	1,873
May	3090	+70	3090	3010	3,916	524
Jul	3075	+57	3070	3000	1,256	24
Sep	3053	+50	-	-	2,262	-
Total					27,380	4,446

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	160.35	+1.70	164.75	158.65	962	810
Mar	165.45	+1.75	169.50	163.25	19,489	8,886
May	169.00	+0.70	172.00	166.40	6,235	746
Jul	170.25	-0.05	174.50	169.25	2,173	265
Sep	171.80	-0.50	176.00	171.00	1,013	201
Dec	172.00	-0.50	175.00	172.50	898	124
Total					31,021	10,882

■ COFFEE (ICO) (US cents/pound)

Nov 21	Price	Prev. day
Comp. daily	157.05	165.46
15 day average	172.82	174.20

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	13.00	-	-	-	-	-
Mar	14.80	+0.87	-	-	80	-
May	14.87	+0.60	-	-	860	-
Jul	14.54	+0.75	-	-	450	-
Total					1,400	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	405.40	+13.90	407.00	392.00	11,186	1,379
May	399.80	+13.50	402.80	387.50	4,357	1,030
Aug	389.80	+11.60	392.00	381.50	2,839	1,175
Oct	361.40	+10.20	363.00	355.10	1,464	260
Dec	359.40	+10.10	-	-	100	-
Mar	359.20	+10.30	-	-	199	-
Total					20,195	3,844

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	14.59	+0.61	14.88	14.20	103,634	19,772
May	14.64	+0.63	14.86	14.22	31,720	6,461
Jul	14.26	+0.50	14.26	14.80	19,599	3,526
Oct	13.63	+0.47	13.66	13.32	16,859	1,390
Mar	13.07	+0.41	13.16	12.80	4,632	965
May	12.96	+0.49	12.97	12.55	423	128
Total					177,178	32,345

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	73.28	-0.85	73.90	72.40	8,097	8,175
Mar	75.80	-0.40	75.95	75.21	28,418	8,183
May	76.96	-0.38	76.80	76.35	8,312	1,241
Jul	77.45	-0.55	77.65	77.05	5,115	446
Oct	71.00	-0.65	71.35	71.00	570	12
Dec	70.00	-0.33	70.10	69.75	3,360	226
Total						

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	105.25	-2.30	108.00	103.00	18,315	5,417
Mar	111.20	-5.00	111.55	111.20	6,325	321
May	113.95	-5.00	114.50	113.95	1,902	28
Jul	116.45	-5.00	116.45	116.45	1,039	18
Sep	119.25	-5.00	120.00	119.25	1,683	14
Nov	117.35	-5.00	-	-	1,317	20
Total					29,117	5,810

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 22	Nov 21	month ago	year ago
2123.3	2159.9	2093.4	1621.3

■ CRB Futures (Base: 1967=100)

Nov 21	Nov 18	month ago	year ago
231.50	232.72	233.04	223.71

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	68.425	-0.200	69.550	69.050	24,064	6,559
Feb	69.225	+0.025	69.350	68.850	27,101	4,763
Apr	69.600	-0.075	69.750	69.325	17,013	2,449
Jun	65.575	-	65.575	65.275	5,621	621
Aug	63.775	-0.025	63.900	63.625	2,064	348
Oct	64.600	-	64.600	64.400	598	58
Total					76,557	14,808

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	31.800	-0.450	31.950	31.600	13,350	3,172
Feb	34.450	-0.500	34.675	34.300	11,795	3,154
Apr	35.550	-0.400	35.850	35.400	8,192	1,036
Jun	41.125	-0.225	41.150	40.750	3,227	459
Aug	41.075	-0.150	41.100	40.850	795	221
Oct	38.800	+0.050	39.000	38.700	577	137
Total					38,779	8,397

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	36.425	-0.475	36.750	36.200	7,814	2,902
Mar	36.550	-0.600	37.000	36.400	1,266	409
May	37.725	-0.725	38.400	37.700	448	90
Jul	38.600	-0.925	39.400	38.600	397	58
Aug	37.600	-0.600	38.200	37.500	95	10
Feb	40.000	-	40.000	39.800	-	-
Total					10,028	3,470

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Feb	May	Feb	May
1900	141	161	62	102
1950	113	136	83	126
2000	89	115	109	153
■ COPPER (Grade A) LME	Feb	May	Feb	May
2750	137	118	84	157
2800	111	87	108	186
2850	89	80	135	218
■ COFFEE LCE	Jan	Mar	Jan	Mar
3300	96	191	261	364
3350	83	167	298	400
3400	71	154	336	437
■ COCOA LCE	Dec	Mar	Dec	Mar
950	70	85	27	39
975	56	71	38	50
1000	43	59	50	63
■ BRENT CRUDE IPE	Jan	Apr	Jan	Apr
1600	115	110	6	55
1650	76	86	23	81
1700	39	60	46	110

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Jan) +or-

Dubai	$15.80-5.85z	+0.055
Brent Blend (dated)	$17.14-7.16	+0.07
Brent Blend (Jan)	$16.99-7.01	+0.07
W.T.I. (1pm est)	$17.75-7.77z	+0.09

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$175-177	
Gas Oil	$150-153	
Heavy Fuel Oil	$107-109	-0.5
Naphtha	$178-182	+5.5
Jet fuel	$170-172	+3
Diesel	$157-159	+0.5

Petroleum Argus. Tel. London (071) 359 8792

■ OTHER

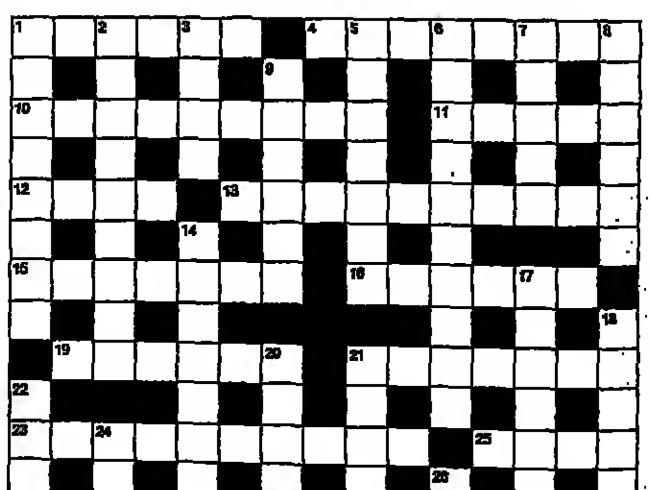
Gold (per troy oz)♣	$384.30	+1.15
Silver (per troy oz)♣	515.5c	+0.5
Platinum (per troy oz.)	$410.35	+0.60
Palladium (per troy oz.)	$154.60	+0.85
Copper (US prod.)	141.0c	+1.0
Lead (US prod.)	40.75c	
Tin (Kuala Lumpur)	15.77r	
Tin (New York)	291.5c	-1.00
Cattle (live weight)†	118.96p	+0.17*
Sheep (live weight)†♣	108.36p	+6.11*
Pigs (live weight)	77.84p	+0.72*
Lon. day sugar (raw)	$342.0	+4.0
Lon. day sugar (wte)	$403.5	+8.0
Tate & Lyle export	£332.0	+3.0
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	£132.0v	
Wheat (US Dark North)	£165.0v	
Rubber (Dec)♥	88.00p	+0.50
Rubber (Jan)♥	87.75p	+0.50
Rubber (KL RSS No1 Jul)	344.0m	-1.0
Coconut Oil (Phil)§	$895.0q	-2.5
Palm Oil (Malay.)§	$887.5u	-30.0
Copra (Phil)§	$438.0q	-22.0
Soyabeans (US)	£186.0	
Cotton Outlook'A' index	78.20c	+0.10
Wooltops (64s Super)	460p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y Jan/Mar. v Nov/Dec. u Dec. z Jan. q Dec/Jan ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week ⊕ Prices are for previous day. † - 14/11/94 Corrected figure for WTI $17.90-7.92

JOTTER PAD

CROSSWORD

No. 8,618 Set by VIXEN



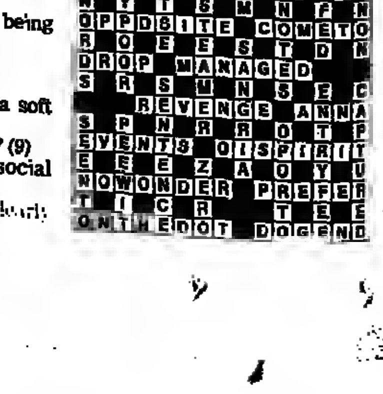
ACROSS

1 The staff intended to help the disabled (6)
4 This drink is stocked in a bag, note (8)
10 Turned and made off when not needed (9)
11 Funny business with male in charge (5)
12 Separate for a bit (4)
13 Firm witb youngsters who care for horses (6-4)
15 Figure the second will create a disturbance (7)
16 Invested, and owed in consequence (6)
19 A leader writer gets some credit ordinarily (6)
21 With not a single boy having revised lessons (7)
23 Starry eyed forecaster (10)
25 Indian place where silver is brought by serving men (4)
27 The colour's very good in the main (5)
28 Bullies, and then tears result (9)
29 Cut back transport in a naval establishment (8)
30 Read about a woman being shot (6)

DOWN

1 Hard-top vehicle – and a soft one (8)
2 Sneaky junior employee? (9)
3 Heel writing about social worker (4)
5 [illegible]
6 Winning following (10)
7 A representative taken in by a word of thanks in America (5)
8 A tax cut (6)
9 Stuff many a sober individual presented to the monarch (6)
14 Still, having a try is not a blunder (10)
17 Possibly rue being perpetually credulous (9)
18 Criminal offering the dope doubly favoured (8)
20 Duck in a roll – it would once have been chicken (7)
21 Appears in control of beasts (6)
22 The right ideas maybe get one promoted (6)
24 A jerk without work is the subject of discussion (5)
26 Mother a couple of scholars (4)

Solution 8,617



LONDON STOCK EXCHANGE

MARKET REPORT

Footsie dips below 3,100 after Wall Street slide

By Steve Thompson

The UK equity market, like its European counterparts, could not ignore the impact of Monday night's 46-point retreat by Wall Street and once again dropped through the 3,100 level on the FT-SE 100 scale.

Sentiment across Europe took another hard knock in the afternoon, when the US stock market started under renewed pressure which saw the Dow Average slide more than 20 points shortly after the opening. The Dow later rallied to show a fall of only some 10 points, before embarking on a fresh retreat an hour after London closed.

There was no real respite for the FT-SE 100 Index which, in spite of numerous attempts to rally, finished a net 42.3 off at 3,078.7, only a whisker above the day's low of 3,078.6. Over the past two sessions the index has fallen 52.3 points, or 1.7 per cent.

There was evidence of some good support for the second-liners, but this was quickly overwhelmed, with the FT-SE Mid 250 Index ending the session 24.2 lower at 3,545.3.

There were, however, some encouraging features in London. The gilt-edged sector was never anything but a firm market and closed at the day's best levels, mirroring similarly strong performances by bonds and hunds across the globe.

The market debut of TeleWest, the UK's first cable television flotation, was an unqualified success, with the shares, seen as tightly priced by telecoms specialists, opening at a 5 per cent premium and attracting sufficient international demand to close comfortably above the issue price. Turnover in TeleWest reached a short 59m shares, accounting for around 9 per cent of overall market turnover.

This came out at 664.8m shares, compared with Monday's 487.4m. Non-Footsie stocks accounted for 65 per cent of the total. The Stock Exchange revealed that customer business transacted on Monday was worth £1.44bn.

Dealers in London were surprised at the extent of Wall Street's fall on Mooday evening, which was said to have occurred in the wake of a big shift by Morgan Stanley, the influential US investment bank, in the cash allocation of its US-only portfolio from 3 per cent to 15 per cent.

A dealer at one of the big international banks said much of the weakness in Wall Street could be attributed to a series of options and futures expiries last Friday which carried over into Monday.

There were also stories circulating in London of a substantial switch from UK equities to gilts, a move which was borne out by the performance of both markets but not by trading volumes.

US markets were also said to have been weakened by rumours of imminent resignations in the Clinton administration after the recent polling disaster in the mid-term elections.

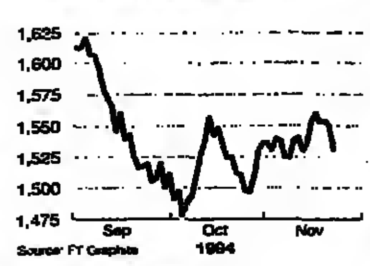
London opened sharply lower, with the FT-SE 100 down almost 30 points, as marketmakers chopped their initial quotations to head off any large selling pressure. After a couple of half-hearted rallies, the market began to wilt and eventually settled just above the day's low.

Traders said the market was delicately poised at the close, with the FT-SE 100 future at a discount to the cash market and resting at a major chart point.

Senior marketmakers, although nursing losses over the past couple of sessions, remained stoic, pointing to the continued strength of bond markets in the face of the weakness in equities, and quick to emphasise that it was the weakness in bonds that drove markets lower in the early part of the year.

Laird, the engineering group, gave ground after announcing a £68m rights issue, awakening market worries about cash calls. Vodafone continued the recent flow of excellent dividend news, hoisting the interim payment by a much higher than expected 19 per cent.

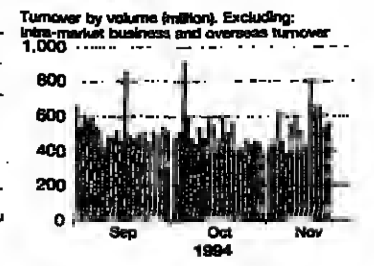
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3078.7	-42.3	FT Ordinary index	2369.1	-30.7
FT-SE Mid 250	3545.3	-24.2	FT-SE-A Non Fins p/e	18.59	(18.77)
FT-SE-A 350	1546.7	-18.8	FT-SE100 Fut Dec	3079.0	-49.0
FT-SE-A All-Share	1532.32	-17.69	10 yr Gilt yield	8.58	(8.60)
FT-SE-A All-Share yield	3.97	(3.92)	Long gilt/equity yld ratio:	2.19	(2.22)

Best performing sectors

1 Property 0.0
2 Merchant Banks .... -0.1
3 Textiles & Apparel .... -0.1
4 Retailers, General .... -0.2
5 Printing, Paper & Pckg........ -0.2

Worst performing sectors

1 Banks ....-2.5
2 Telecommunications ....-2.2
3 Tobacco ....-1.7
4 Oil, Integrated ....-1.7
5 Diversified Inds ....-1.8

Strong debut for TeleWest

Cable television operator TeleWest made a storming stock market debut, closing 3½ ahead of the 182p flotation price in levels of activity that came close to heart-stopping for an offering of just 216m shares.

Turnover of 59m was nearly six times the level of volume in BTR, the most actively traded Footsie stock. Kleinwort Benson Securities, joint broker to the issue, was said to be responsible for around half of yesterday's trade. The driving force behind the bumper trading was thought to be interaction between the London and New York tranches of the issue, plus a certain amount of switching with BT, which fell 7¼ to 380½p.

Carlton confidence

Television and video company Carlton Communications maintained its strong market outperformance as some analysts took a close look at the latest data for video sales.

Statistics in the trade press reveal that fourth-quarter sales of pre-recorded films and programmes in the US rocketed from $177m in 1988 to $520.5m last year.

Carlton has the manufacturing and distribution rights for Disney and Warner which last year accounted for 40 per cent of sales and will this year take in sales of *Snow White*.

The forecast for this year's pre-Christmas sales is $934m, almost double the 1993 figure. Carlton's slice of the cake might be reduced because of competition from *Jurassic Park*, distributed by Rank, but it is a larger cake.

Carlton shares have outperformed the broad market by 16 per cent over the past year and 4 per cent over the past month. Yesterday the shares were relatively strong against the market, closing only 5 off at 891p. Rank shed 5 to 412p.

Abbey tussle

Bank Abbey National was buffeted by two-way trade following an upbeat presentation on current trading.

The one-time building society said its share of the national mortgage market was back up to 10 per cent and it had widened its retail margins. Mr Mark Eady of NatWest Securities put the positive view that "the gain in market share has not been achieved at the expense of margins".

However, bearish Credit Lyonnais Laing drew clients' attention to the imminent figures from Royal Bank of Scotland and its *Direct Line* insurance subsidiary. The house said Direct Line had flagged its move into the mortgage arena, where it was offering loans of 7.1 per cent against Abbey's 8.1 per cent, and into the banking market. Abbey shares were steady at 412p, while RBoS's were also firm, at 452p.

Mobile communications group Vodafone lost 2 at 204p following interim results on the right side of brokers' estimates. But it was the near 20 per cent jump to 1.64p in the interim dividend that provided the shares with most underpinning. Most houses had been expecting a payout of 1.5p.

Interim results from glassmaker Pilkington were modestly better than expected but the company's message for the full year was mixed. The shares dipped 2 to 183p.

Not all securities houses edged up their profit estimates for 1994-95. Some houses see Pilkington's premium p/e as a sell factor, others are more confident of the longer term.

Concern over margins in the music division at Thorn EMI hit the group's shares as it reported favourable interim figures. The stock dropped 24 to 973p. Sentiment was hit further by unconfirmed reports that UBS had downgraded but the general tone was positive. Hoare Govett raised its full-year forecast by £4m to £411m.

Granada relinquished 10 to 516p after it emerged that its television subsidiary may face a fine for repeated violations of independent television rules on products in programmes.

The unexpected break-down of merger talks between metals groups Johnson Matthey and Cookson Group left Johnson 9 lower at 565p but added 2 to the Cookson share price at 247p.

Fears that Northern Foods will have make provisions of around £40m at the end of the second half for restructuring and disappointing interim figures sent the shares down 8 to 204p

The meeting with analysts was also particularly gloomy. Brokers downgraded full-year expectations by about £15m to around £120m.

Nervous trading in Tate & Lyle which reports interim figures today, left the shares 8 lighter at 439p.

Computer software group ACT shed a penny to 102½p following news of a heavy share buy-back programme. It purchased almost 5 per cent of its equity - 9m shares - at 103p. Turnover was 15m.

Pharmaceuticals group Wellcome gained as analysts became increasingly enthusiastic folllowing last weekend's positive Aids conference.

Securities house Robert Fleming was said to have issued a buy recommendation and Japanese investment house Nikko Securities took investors to the company's research centre. The shares moved forward 6 to 681p.

Paper group Bowater rose 7 to 470p as Hoare Govett held a meeting with the company.

Tightly-traded merchant bank Schroders lifted 13 to 1428p as one house crossed a block of shares at above the prevailing market price.

Stockbroker Brewin Dolphin shed 13 to 110p. Interim figures from stock dealer ShareLink expected today are forecast to disappoint. The latter fell 4 to 183p.

Chemicals leader Courtaulds shed 5 to 440p ahead of interim figures today. The forecast range is between £75m and £87m and analysts expect a squeeze on margins but hope for some rays of hope in current trading.

Meanwhile McLeod Russell rose 10 to 117p on well received final figures and an encouraging statement.

A clutch of recent broker's recommendations continued to boost MFI Furniture. The shares gained another 3½ to 141½p. Also in demand was high street retailing group Lloyds Chemists ahead of tomorrow's annual meeting. The shares put on 5 to 313p.

The poor market trend halted the recent advance in Yorkshire Water which reports interim figures today. The shares finished 9 lower at 540p. NatWest Securities remains positive on the stock and recommended investors "add" to current holdings as, "these results should underline how management is continuing to unravel the cost base." But it also warned, "dividend policy is unlikely to be headline grabbing."

MARKET REPORTERS:
Peter John, Joel Kibazo, Jeffrey Brown.

■ Other statistics, Page 28

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (18).
GILTS (1) BUILDING & CNSTRN (1) Andrews Sykes, ENGINEERING (2) Lincat, VSEL, ENG. VEHICLES (1) Airflow Streamlines, EXTRACTIVE INDS (3) FOOD MANUF (1) Moran, HEALTH CARE (1) Seton Healthcare, HOUSEHOLD ...

... First Australian Res., Victoria Petroleum, OTHER FINANCIAL (5) Brown Dolphin, Exco, Jardine Strategic, Johnson Fry, Swire Pacific A, OTHER SERVS & BUSNS (1) Leigh Interests, PRTNG, PAPER & PACKG (3) Brit. Thornton, Britton Group, Pyau, PROPERTY (8) Chesterfield, Derwent Valley, Gt. Portland, MEPC, Property Trust(PVT), Southend Prop. 8pc Cv. 2020, RETAILERS, FOOD (1) Dairy Farm Int'l., RETAILERS, GENERAL (5) Fine Art Devlpt., Flying Flowers, Games Workshop, Rosebys, Signet, SUPPORT SERVS (2) Hogg Robinson, Vistec, TEXTILES & APPAREL (4) Caldwell Invs., Foster (J), Parkland, Readicut, TRANSPORT (4) AMERICANS (8) CANADIANS (2).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures ended sharply lower after another session of below average trading volume, *writes Jeffrey Brown*.

The FT-SE 100 December contract was at 3,079 when pit trading came to an end, down 51 points. It ended broadly in line with the cash market and seven points under fair value.

Activity was much higher than Monday's severely depressed level, but it was again below average and, at 11,220 lots, only just into the area where traders reckon the futures market starts to become profitable.

December has tumbled 61 points in two days, falling into what traders describe as a major support area. Wall Street continues to dictate immediate direction but some dealers were speculating on an early rebound for stock futures.

Activity was said to be strictly anomoly business: mostly book hedging and marketmaker to marketmaker deals. Although premiums to cash equities were minimal throughout the session, there was no real weight of selling, with dealing lots small.

Business in traded options rose to 35,402 lots from Monday's 21,653. There was heavy turnover in a number of individual stock options. FT-SE and Euro FT-SE trades accounted for less than 16,000 contracts. Tesco was the busiest stock option at 4,135 lots, followed by BTR and Shell Transport.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

■ FT-SE 100 INDEX OPTION (LIFFE) (*3078) £10 per full index point

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	970	330	-2
ASDA Group†	2,800	65½	-¼
Abbey National†	2,700	412	
Albert Fisher	1,500	42	-1
Allied Domecq†	1,800	576	-7
Anglian Water	552	499	-4
Argos	1,600	351	
Argyll Group†	1,100	264½	-4½
Arjo Wiggins†	3,900	277	-4
Assoc. Brit. Foods†	302	562	-9
Assoc. Brit. Ports	323	281	-1
BAA†	1,100	502½	-3½
BAT Inds.†	3,400	453	-8
BET	3,800	105½	-½
BICC	241	346	-4
BOC†	191	706	-5
BP†	9,800	413	-4½
BPB Inds.	115	307	-3
BT†	7,400	379	-9
BTR†	10,000	298	-4
Bank of Scotland†	2,400	209	-6
Barclays†	3,800	584	-6
Bass†	794	528	-5
Blue Circle†	1,200	304	-7
Booker	2,000	416	+3
Boots†	584	513	-1
Bowater†	2,000	470	+7
Brit. Aerospace†	1,700	433	-9
British Airways†	1,800	378½	-4½
British Gas†	8,000	297½	-2½
British Land	1,000	380	
British Steel†	6,100	153	-2
Burzl	544	185½	-1½
Burmah Castrol†	387	836	-8
Burton	8,800	71¼	-½
Cable & Wire†	4,100	385	-12
Cadbury Schweppes†	2,000	442	-3
Caradon†	252	278	-7
Carlton Comms.†	521	891	-5
Coats Viyella	1,900	206	12
Comm. Union†	356	526	-3
Cookson	214	247	+2
Courtaulds†	1,700	440	-5
Dalgety	405	420	-3
De La Rue†	485	1011	-3
Dixons	706	186½	-½
Eastern Elect.†	1,400	805	-1
East Midland Elect.	145	773	-4
Electrocomps	853	470	-2
Eng China Clays	436	362	-2
Enterprise Oil†	2,300	377	-1
Eurotunnel Units	648	252	-7
FKI	288	185	+1
Fisons	4,000	125	-1
Foreign & Col. I.T.	624	134½	-1½

FT - SE Actuaries Share Indices — The UK Series

	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3069.3	4.18	7.13	16.58	116.23	1170.18
FT-SE Mid 250	3439.2	3.52	5.81	20.75	122.22	1326.79
FT-SE Mid 250 ex Inv Trusts	3437.8	3.68	6.23	19.32	127.35	1327.35
FT-SE-A 350	1632.8	4.02	6.83	17.38	57.25	1202.82
FT-SE SmallCap	1741.40	3.32	5.00	25.25	52.06	1388.92
FT-SE SmallCap ex Inv Trusts	1719.87	3.53	5.56	23.81	53.95	1388.52

■ FT-SE Actuaries All-Share

■ Hourly movements

■ FT-SE Actuaries 350 Industry baskets

LONDON EQUITIES

LIFFE EQUITY OPTIONS

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	35	11	25
Other Fixed Interest	2	0	12
Mineral Extraction	29	81	79
General Manufacturers	52	218	359
Consumer Goods	14	73	100
Services	49	146	297
Utilities	3	32	8
Financials	38	148	177
Investment Trusts	17	246	200
Others	18	79	24
Totals	255	1,047	1278

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	November 21	Expiry	February 23
Last Dealings	December 2	Settlement	March 9

Calls: Calluna, Filofax, Filtronic, Hunting, Magnum Power, McDonnell Douglas Put & Call: Magnum Power

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FINANCIAL TIMES EQUITY INDICES

FT GOLD MINES INDEX

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 High	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£22⅞	-⅛	£25⅛	£19⅞	6,765	5.0	Φ
ANZ A$		181	+2	278¼	171	2,489	0.4	28.8
Abbey National	†N□	412	—	523	360½	5,405	4.7	13.8
Allied Irish I£	♣†N□	248	—	314	223	1,653	5.1	9.5
Anglo Irish I£	N□	55	-1	*70	50	139.3	8.3	Φ
Asahi 7	□	683½	-8¾	819¼	628	15,442	0.7	Φ
Banco Bil Viz Pts	□	£16⅝	+⅜	£19⅞	£14⅞	3,467	4.8	7.5
Banco Sant Pts		£24⅝	-2⅜	*£30½	£23⅞	3,721	5.8	8.6
Bk Ireland I£	♣†N□	288xd	—	*319	246	1,388	5.8	0.5
Bank Scotland	♣†N□	206xd	-6	247	172½	2,461	3.2	11.8
9¼pc Pf		108½xd	+¼	141½	106	108.5	10.7	-
9¾pc Pf		113¼xd	+¼	146½	111¼	113.8	10.7	-
Barclays	♣†N□	584	-6	640	487	9,519	2.8	16.0
Dai Ichi Kan 7	□	£10⅞	-⅜	£12⅞	£10⅞	34,030	0.5	-
Deutsche DM	□	£305⅞	-4⅞	£344¼	£270⅞	14,698	2.2	-
Espirito Santo	□	£9⅞	—	*£11⅞	£7⅞	183.8	4.4	4.3
First Nat Fin	N□	65	-1	*88	60	109.7	2.8	-
6.3pc Cv Pf		72	—	*80	70	4.84	10.9	-
7pc Cv Pf		121½	-1½	176	121½	57.7	7.2	-
Fuji Bank 7	□	1258¼	-14½	1549¼	1152½	35,463	0.4	Φ
HSBC HK	†N□	722	-33	1153	660	12,663	4.2	10.5
HSBC (75p Shs)	†N□	723	-32	1113	660	6,152	4.2	10.5
Lloyds	†N□	576	-10	680	519	7,470	5.8	11.9
Mitsubishi Y	□	814½	-⅝	£1⅝	£1⅜	40,382	0.4	Φ
Mitsui Tst & Bk 7	□	890½	-6¼	1182¼	887½	19,190	0.6	13.2
Mitsui Tst & Bk 7	□	695¼	-12	879	514	7,822	0.9	21.0
Nat Aust A$		598	—	629¼	472	6,360	7.1	Φ
NatWest	†N□	539	-14	622	421	8,768	4.9	9.5
Olbonand FFr		521	—	533	521	105.9	6.8	Φ
Ryl Bk Scotland	♣†N□	432	—	528	377½	3,989	3.3	20.4

CHEMICALS

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's
Toronto-Dom		9⅞	-⅛	41⅛	9⅛	2,773	4.8
Trans Can Pipe	♥	7⅞	-⅛	10⅞	7⅞	1,427	4.0

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£32	—	£32	£13½	2,088	2.5	23.5
Barlow	♣	55½	+½	55½	£3⅞	1,053	1.9	♦
Gold Flds Prop R		118xn	—	120	75	12.1	7.9	♦
NK Props		90	—	90	85	3.94	12.3	-
SASOL	♥	540	+6	582	380	3,168	2.8	-
SA Brews	†	£15⅞xd	—	£16⅞	£10	4,200	1.9	23.8
Tiger Oats		780	—	888	538	1,127	2.0	♦
Tongaat-Hulett	†b	725	—	725	358¼	660.8	2.0	31.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ☐ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Rule 4.2(a) UK & Irish incorporated non-listed companies.
- ‖ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus, or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualise yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xc ex capital distribution.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

[illegible]

GUERNSEY (SIB RECOGNISED)

[illegible]

GUERNSEY (REGULATED)(**)

[illegible]

IRELAND (SIB RECOGNISED)

[illegible]

IRELAND (REGULATED)(**)

[illegible]

ISLE OF MAN (REGULATED)(**)

[illegible]

JERSEY (SIB RECOGNISED)

[illegible]

ISLE OF MAN (SIB RECOGNISED)

[illegible]

JERSEY (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

حكام الاحبل

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FT MANAGED FUNDS SERVICE

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

MARKETS REPORT

Lira takes knock from Berlusconi investigation

The Italian lira fell to a record low against the D-Mark, after magistrates formally warned Mr Silvio Berlusconi, the prime minister, that he is under investigation, *writes Philip Coggan.*

The lira dropped to L1,033/DM at the London close, from L1,025/DM on Monday. According to Mr Robert Thomas, head of research at NatWest Capital Markets, "the weaker that Berlusconi becomes, the less likely it is that the budget deficit will be sorted out in the near term. The lira is suffering from the lack of firm government."

Mr David Cocker, currency analyst at Chemical Bank, thinks that while the latest political crisis may have been discounted by the market, the lira could still fall to L1,045/1,048 to the D-Mark.

While Mr Berlusconi said he was "absolutely sure" he had not committed any offence and would not resign, the news also hit Italian bond and equity markets. The Mibtel stock market index fell 2.8 per cent on the day.

■ The US dollar weakened in London trading against both the D-Mark and the yen. Chemical Bank's Mr Cocker said profit-taking had made the dollar weaker. "Basically, it was a market which had got a little bit long of dollars" he added.

Mr Thomas said the dollar had recently hit a technical resistance point around DM1.56 and had back-tracked. On the fundamentals, he added that "people are also beginning to realise that December might be a bit early for the Fed to raise rates again."

Mr Neil MacKinnon, chief economist at Citibank in London says the 75 basis points rise in US interest rates was "not enough to convince the bond market that the Fed was ahead of the inflation game."

He also pointed to the recent weakness on Wall Street – the Dow Jones Industrial Average is down 200 points since October – as one factor behind the dollar's difficulties. "The currency market thinks the Fed will find it hard to raise interest rates with Wall Street going down," he said.

"The dilemma for the Fed is that if they don't raise rates, long bonds will suffer and if they do raise rates Wall Street will come under pressure," argues Mr MacKinnon.

However, the Citibank economist is cautiously optimistic about the dollar's prospects in 1995. Citibank's research shows *there is increasing interest in* the dollar among medium and long term fund managers and this, according to Mr MacKinnon, should give the currency some support.

The D-Mark also received support from Bundesbank president Mr Hans Tietmeyer. He was quoted as saying that German monetary policy will reflect the central bank's interest *in a strong D-Mark.*

Mr Tietmeyer also appeared to rule out a move to a variable rate repo when the decision-making central council meets on Thursday.

The dollar fell to DM1.5536 by the London close, compared with DM1.5594 on Monday and against the yen, it dropped to Y98.075, from Y98.375. Trading continued to be fairly quiet, ahead of the Thanksgiving holiday on Thursday.

■ Sterling had a fairly quiet day on the currency markets, with attention focused elsewhere. However, expectations of an early interest rate rise appeared to subside.

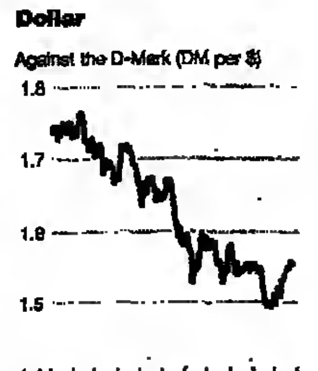
The markets have apparently decided that Mr Kenneth Clarke, the Chancellor, will attempt to shift the focus in next week's Budget to the tightening of fiscal policy and away from monetary policy.

The March short sterling futures contract recovered half of Monday's losses, climbing three basis points to 92.98. However, that still implies base rates of 7 per cent, compared with the current level of 5.75 per cent.

Against the D-Mark, the pound slipped to DM2.4402, from DM2.4452 on Monday's close. However, it gained slightly against the weaker dollar to finish at $1.5707, from $1.5681. Trade-weighted, it slipped to 79.8, from Monday's close of 79.9.

■ The Australian dollar had another good day, edging up to 76.3 cents against the US dollar, from just under 76.2 cents on Monday. The Australian currency continues to benefit from rising commodity prices and high real interest rates.

■ In the UK money markets, the Bank of England gave help of £400m at established rates to alleviate a £500m forecast shortage. Overnight rates moved between 5.5 per cent and 4 per cent.



Source: Datastream

■ Pound in New York

Nov 22	Latest	Prev. close
£ spot	1.5690	1.5673
1 mth	1.5689	1.5672
3 mth	1.5689	1.5671
1 yr	1.5657	1.5639

■ OTHER CURRENCIES

Nov 22	£	$
Hungary	171.586 - 171.789	109.250 - 109.350
Iran	2742.00 - 2745.00	1748.00 - 1750.00
Kuwait	0.4694 - 0.4707	0.2989 - 0.2995
Poland	37281.3 - 37319.1	23740.0 - 23755.0
Russia	5021.50 - 5028.20	3197.00 - 3200.00
U.A.E.	5.7619 - 5.7735	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Nov 22		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.1670	-0.0311	598 - 742	17.2400	17.1349	17.1627	0.3	17.1506	0.4	-	-	115.3
Belgium	(BFr)	50.1855	-0.0917	586 - 123	50.2870	50.0880	50.1505	0.8	50.0755	0.9	49.6305	1.1	117.0
Denmark	(DKr)	9.5549	-0.0035	515 - 583	9.5596	9.5226	9.5525	0.3	9.5672	-0.5	9.5468	0.1	116.7
Finland	(FM)	7.4533	-0.0226	434 - 632	7.4670	7.4250	-	-	-	-	-	-	88.8
France	(FFr)	8.3789	-0.0144	749 - 829	8.3836	8.3523	8.3774	0.2	8.3691	0.5	8.3066	0.9	110.0
Germany	(DM)	2.4402	-0.005	393 - 410	2.4415	2.4339	2.4389	0.6	2.435	0.9	2.4035	1.5	128.2
Greece	(Dr)	375.476	-0.633	169 - 783	376.689	373.658	-	-	-	-	-	-	-
Ireland	(I£)	1.0137	+0.0007	130 - 143	1.0145	1.0087	1.0135	0.2	1.0131	0.2	1.015	-0.1	105.0
Italy	(L)	2520.97	+13.89	931 - 263	2523.17	2498.31	2526.97	-2.9	2537.52	-2.6	2583.47	-2.5	73.6
Luxembourg	(LFr)	50.1855	-0.0917	586 - 123	50.2870	50.0880	50.1505	0.8	50.0755	0.9	49.6305	1.1	117.0
Netherlands	(Fl)	2.7347	-0.0057	334 - 359	2.7369	2.7287	2.7332	0.6	2.7292	0.8	2.6968	1.4	120.6
Norway	(NKr)	10.6855	-0.0082	818 - 891	10.7136	10.6437	10.6855	0.0	10.6871	-0.1	10.6861	0.0	95.6
Portugal	(Es)	248.689	-0.592	563 - 815	249.506	248.278	250.416	-8.3	253.699	-7.0	-	-	-
Spain	(Pta)	203.382	-0.244	304 - 460	203.464	202.834	203.752	-2.2	204.357	-1.8	207.152	-1.0	85.6
Sweden	(SKr)	11.5651	+0.0188	559 - 742	11.5845	11.4815	11.5841	-2.0	11.6266	-2.1	11.7711	-1.8	76.5
Switzerland	(SFr)	2.0710	-0.0009	698 - 721	2.0727	2.0517	2.0675	2.0	2.0601	2.1	2.0182	2.5	120.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	79.6
Ecu	-	1.2815	-0.0015	807 - 822	1.2823	1.2787	1.2815	0.0	1.281	0.2	1.2745	0.5	-
SDR†	-	0.932540	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5700	+0.0023	696 - 704	1.5705	1.5680	-	-	-	-	-	-	-
Brazil	(R)	1.3139	+0.0077	129 - 149	1.3152	1.3075	-	-	-	-	-	-	-
Canada	(C$)	2.1576	+0.0152	568 - 584	2.1604	2.1495	2.1568	0.6	2.1553	0.4	2.1539	0.2	86.1
Mexico	(New Peso)	5.4040	-0.0107	006 - 074	0.4200	5.4000	-	-	-	-	-	-	-
USA	($)	1.5707	+0.0026	704 - 710	1.5722	1.5681	1.5707	0.0	1.5708	0.0	1.5672	0.2	62.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0579	-0.0007	568 - 590	2.0595	2.0474	2.08	-1.2	2.0627	-0.9	2.0786	-0.9	-
Hong Kong	(HK$)	12.1441	+0.0198	414 - 468	12.1553	12.1226	12.1361	0.0	12.1308	0.4	12.0856	0.6	-
India	(Rs)	49.2670	+0.0796	556 - 783	49.3120	49.1910	-	-	-	-	-	-	-
Japan	(Y)	154.047	-0.215	978 - 115	154.350	153.640	153.592	3.5	152.602	3.8	147.417	4.3	191.3
Malaysia	(M$)	4.0093	-0.0169	077 - 108	4.0271	4.0057	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.5210	+0.0017	195 - 225	2.5237	2.5124	2.5256	-2.2	2.5349	-2.2	2.5548	-1.3	-
Philippines	(Peso)	37.6969	-0.6433	111 - 826	37.8150	37.6050	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8915	+0.0099	899 - 930	5.8967	5.8816	-	-	-	-	-	-	-
Singapore	(S$)	2.3002	+0.0009	989 - 014	2.3048	2.2962	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.5599	+0.01	576 - 621	5.5633	5.5433	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.4792	+0.0311	622 - 961	6.4968	6.4684	-	-	-	-	-	-	-
South Korea	(Won)	1249.10	+1.44	978 - 942	1250.21	1247.35	-	-	-	-	-	-	-
Taiwan	(T$)	41.4194	+0.0478	957 - 430	41.4432	41.3273	-	-	-	-	-	-	-
Thailand	(Bt)	39.2675	+0.0415	521 - 829	39.2970	39.2050	-	-	-	-	-	-	-

†SDR rates for Nov 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 22		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.9235	-0.038	270 - 320	10.9725	10.9100	10.922	0.8	10.9055	0.9	10.808	1.1	104.3
Belgium	(BFr)	31.9510	-0.1115	400 - 620	32.0500	31.8890	31.931	0.8	31.8835	0.8	31.698	0.9	105.9
Denmark	(DKr)	6.0832	-0.0123	822 - 842	6.0856	6.0675	6.0825	0.1	6.0882	-0.3	6.1067	-0.4	105.1
Finland	(FM)	4.7452	-0.0223	398 - 506	4.7587	4.7308	4.7425	0.7	4.7402	0.4	4.7517	-0.1	82.9
France	(FFr)	5.3345	-0.018	330 - 360	5.3370	5.3215	5.3338	0.2	5.3288	0.4	5.2985	0.7	106.1
Germany	(D)	1.5536	-0.0058	533 - 538	1.5557	1.5498	1.5528	0.6	1.5504	0.6	1.5336	1.3	106.9
Greece	(Dr)	239.050	-0.8	900 - 200	239.960	238.090	241.75	-13.6	247.1	-13.5	267.8	-12.0	66.3
Ireland	(I£)	1.5496	+0.0018	489 - 502	1.5567	1.5479	1.5499	-0.2	1.5504	-0.2	1.5459	0.2	-
Italy	(L)	1605.00	+6.2	425 - 575	1606.60	1590.50	1608.85	-2.9	1615.7	-2.7	1648.5	-2.7	74.5
Luxembourg	(LFr)	31.9510	-0.1115	400 - 620	32.0500	31.8890	31.931	0.8	31.8836	0.8	31.698	0.9	105.9
Netherlands	(Fl)	1.7411	-0.0065	406 - 415	1.7431	1.7369	1.7402	0.6	1.7377	0.8	1.7208	1.2	105.5
Norway	(NKr)	6.8030	-0.0185	020 - 040	6.8270	6.7807	6.8112	-1.5	6.829	-1.5	6.8555	-0.8	95.6
Portugal	(Es)	158.330	-0.64	280 - 380	158.800	158.090	158.905	-4.4	160.03	-4.3	163.58	-3.3	95.2
Spain	(Pta)	129.485	-0.37	460 - 510	129.590	129.180	129.72	-2.2	130.12	-2.0	132.185	-2.1	80.6
Sweden	(SKr)	7.3630	+0.0004	588 - 674	7.3768	7.3168	7.3742	-1.8	7.401	-2.1	7.516	-2.1	82.1
Switzerland	(SFr)	1.3185	-0.0028	180 - 190	1.3190	1.3137	1.3163	2.0	1.3117	2.1	1.2878	2.3	106.1
UK	(£)	1.5707	+0.0026	704 - 710	1.5722	1.5681	1.5707	0.0	1.5708	0.0	1.5672	0.2	88.1
Ecu	-	1.2257	+0.0035	252 - 262	1.2280	1.2246	1.2257	0.0	1.226	-0.1	1.2287	-0.3	-
SDR†	-	1.46157	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9998	-0.0002	995 - 996	0.9998	0.9995	-	-	-	-	-	-	-
Brazil	(R)	0.8365	+0.0035	360 - 370	0.8370	0.8350	-	-	-	-	-	-	-
Canada	(C$)	1.3737	+0.0074	734 - 739	1.3743	1.3702	1.3734	0.2	1.3731	0.2	1.3782	-0.3	83.2
Mexico	(New Peso)	3.4405	-0.0125	390 - 420	3.4550	3.4390	3.4415	-0.3	3.4433	-0.3	3.4607	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.1
Pacific/Middle East/Africa													
Australia	(A$)	1.3102	-0.0028	098 - 106	1.3125	1.3050	1.3109	-0.7	1.3127	-0.8	1.3255	-1.2	89.5
Hong Kong	(HK$)	7.7317	-0.0001	314 - 319	7.7319	7.7314	7.7296	0.3	7.7284	0.2	7.7362	-0.1	-
India	(Rs)	31.3683	-0.0012	650 - 675	31.3700	31.3650	31.4363	-2.7	31.5813	-2.7	-	-	-
Japan	(Y)	98.0750	-0.3	500 - 000	98.3500	97.9000	97.785	3.5	97.165	3.7	94.08	4.1	150.0
Malaysia	(M$)	2.5525	-0.0151	520 - 530	2.5672	2.5520	2.5495	1.4	2.545	1.2	2.573	-0.8	-
New Zealand	(NZ$)	1.6051	-0.0015	044 - 057	1.6057	1.6016	1.6061	-0.7	1.6085	-0.8	1.6175	-0.8	-
Philippines	(Peso)	24.0000	-0.45	500 - 500	24.0500	23.9500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7508	+0.0001	506 - 511	3.7511	3.7506	3.7545	-1.1	3.7614	-1.1	3.7759	-0.7	-
Singapore	(S$)	1.4644	-0.0018	639 - 646	1.4670	1.4635	1.4629	1.3	1.4604	1.4	1.4429	1.5	-
S Africa (Com.)	(R)	3.5398	+0.0005	390 - 405	3.5405	3.5325	3.5553	-5.3	3.5874	-5.4	3.7523	-6.0	-
S Africa (Fin.)	(R)	4.1250	+0.013	150 - 350	4.1350	4.1150	4.153	-8.1	4.1975	-7.0	4.435	-7.5	-
South Korea	(Won)	795.250	-0.4	200 - 300	795.800	795.200	798.25	-4.5	801.75	-3.3	820.25	-3.1	-
Taiwan	(T$)	26.3700	-0.0133	600 - 800	26.3800	26.3600	26.39	-0.8	26.43	-0.9	-	-	-
Thailand	(Bt)	25.0000	-0.015	950 - 050	25.0050	24.9950	25.0295	-1.4	25.1205	-1.9	25.525	-2.1	-

†SDR rate for Nov 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 21. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 22		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.04	16.70	4.862	2.016	5022	5.448	21.28	495.4	405.1	23.04	4.127	1.993	4.299	3.131	306.9	2.553
Denmark	(DKr)	52.52	10	8.769	2.554	1.060	2638	2.862	11.18	260.2	212.8	12.10	2.168	1.047	2.258	1.644	161.2	1.341
France	(FFr)	59.89	11.40	10	2.912	1.209	3008	3.263	12.75	296.7	242.7	13.80	2.472	1.194	2.575	1.875	183.8	1.529
Germany	(DM)	20.57	3.916	3.434	1	0.415	1033	1.120	4.377	101.8	83.32	4.738	0.848	0.410	0.884	0.644	63.11	0.525
Ireland	(I£)	49.54	9.431	8.270	2.409	1	2486	2.699	10.54	245.4	200.7	11.41	2.044	0.987	2.129	1.551	152.0	1.265
Italy	(L)	1.991	0.379	0.332	0.097	0.040	100.	0.108	0.424	9.865	8.067	0.459	0.082	0.040	0.086	0.062	6.111	0.051
Netherlands	(Fl)	18.35	3.495	3.064	0.892	0.371	921.7	1	3.906	90.93	74.36	4.228	0.757	0.366	0.789	0.575	56.33	0.469
Norway	(NKr)	46.99	8.946	7.845	2.285	0.949	2360	2.560	10	232.8	190.4	10.82	1.939	0.936	2.020	1.471	144.2	1.199
Portugal	(Es)	20.19	3.843	3.370	0.981	0.407	1014	1.100	4.296	100.	81.78	4.650	0.833	0.402	0.868	0.632	61.95	0.515
Spain	(Pta)	24.68	4.699	4.121	1.200	0.498	1240	1.345	5.253	122.3	100.	5.688	1.019	0.492	1.061	0.773	75.75	0.630
Sweden	(SKr)	43.41	8.265	7.247	2.111	0.876	2180	2.365	9.239	215.1	175.6	10	1.792	0.865	1.866	1.359	133.2	1.108
Switzerland	(SFr)	24.23	4.613	4.045	1.175	0.489	1217	1.320	5.157	120.0	98.17	5.582	1	0.483	1.042	0.759	74.38	0.616
UK	(£)	50.18	9.554	8.378	2.440	1.013	2520	2.734	10.68	248.6	203.3	11.56	2.071	1	2.157	1.571	154.0	1.281
Canada	(C$)	23.26	4.429	3.884	1.131	0.470	1168	1.266	4.951	115.3	94.25	5.359	0.960	0.464	1	0.728	71.40	0.594
US	($)	31.94	6.081	5.333	1.553	0.645	1604	1.740	6.798	158.2	129.4	7.358	1.318	0.637	1.373	1	98.03	0.815
Japan	(Y)	32.58	6.204	5.440	1.584	0.658	1636	1.776	6.935	161.4	132.0	7.506	1.345	0.649	1.401	1.020	100.	0.832
Ecu		39.17	7.458	6.540	1.905	0.791	1967	2.134	8.337	194.1	158.7	9.024	1.617	0.781	1.684	1.226	120.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lire and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ STERLING FUTURES (IMM) £62,500 per £

UK INTEREST RATES

LONDON MONEY RATES

EMS EUROPEAN CURRENCY UNIT RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
9350	0.28	0.06	0.08	0.04	0.60	1.19
9375	0.10	0.03	0.05	0.11	0.80	1.41
9400	0.02	0.01	0.03	0.28	1.05	1.64

Est. vol. total, Calls 10877 Puts 12553. Previous day's open int., Calls 346467 Puts 231759

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

BASE LENDING RATES

	%
Adam & Company	5.75
Allied Trust Bank	5.75
AIB Bank	5.75
●Henry Ansbacher	5.75
Bank of Baroda	5.75
Banco Bilbao Vizcaya	5.75
Bank of Cyprus	5.75
Bank of Ireland	5.75
Bank of India	5.75
Bank of Scotland	5.75
Barclays Bank	5.75
Brit Bk of Mid East	5.75
●Brown Shipley & Co Ltd	5.75
CL Bank Nederland	5.75
Citibank NA	5.75
Clydesdale Bank	5.75
The Co-operative Bank	5.75
Coutts & Co	5.75
Credit Lyonnais	5.75
Cyprus Popular Bank	5.75
Duncan Lawrie	5.75
Exeter Bank Limited	6.75
Financial & Gen Bank	6.5
●Robert Fleming & Co	0.75
Girobank	5.75
●Guinness Mahon	5.75
Habib Bank AG Zurich	5.75
●Hambros Bank	5.75
Heritable & Gen Inv Bk	5.75
●Hill Samuel	0.75
C. Hoare & Co	5.75
Hongkong & Shanghai	5.75
Julian Hodge Bank	5.75
●Leopold Joseph & Sons	5.75
Lloyds Bank	5.75
Meghraj Bank Ltd	5.75
Midland Bank	5.75
* Mount Banking	6
NatWestminster	5.75
●Rea Brothers	5.75
* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Royal Bk of Scotland	5.75
●Smith & Williamson Secs.	5.75
TSB	5.75
●United Bk of Kuwait	5.75
Unity Trust Bank Plc	5.75
Western Trust	5.75
Whiteaway Laidlaw	5.75
Yorkshire Bank	5.75

● Members of London Investment Banking Association
* In administration

WORLD INTEREST RATES

MONEY RATES

ECU Linked Ds mid rates: 1 mth: 5¾; 6 mths: 5⅞; 6 mths: 6¼; 1 year: 6¾. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

■ THREE MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

■ THREE MONTH EUROMARK FUTURES (LIFFE) DM1m points of 100%

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

* LIFFE futures traded on APT

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 22 / Sch)

BELGIUM/LUXEMBOURG (Nov 22 / Frs.)

DENMARK (Nov 22 / Kr)

FINLAND (Nov 22 / Mka)

FRANCE (Nov 22 / Frs.)

GERMANY (Nov 22 / Dm.)

ITALY (Nov 22 / Lire)

NETHERLANDS (Nov 22 / Fls.)

NORWAY (Nov 22 / Kroner)

SPAIN (Nov 22 / Pts.)

SWEDEN (Nov 22 / Kronor)

SWITZERLAND (Nov 22 / Frs.)

PACIFIC

JAPAN (Nov 22 / Yen)

AUSTRALIA (Nov 22 / AustS)

HONG KONG (Nov 22 / H.K.$)

MALAYSIA (Nov 22 / MYR)

SINGAPORE (Nov 22 / S$)

NORTH AMERICA

CANADA

TORONTO (Nov 22 / Can $)

3:45 pm

MONTREAL (Nov 22 / Can $)

3:45 pm

AFRICA

SOUTH AFRICA (Nov 22 / Rand)

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, November 22, 1994

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	8.0m	377	-3	Marubeni	3.9m	525	-17
Toyota Motor	5.2m	2080	-20	NKK	3.7m	278	+1
Mitsui Co	4.8m	839	-6	Kawasaki Steel	3.6m	412	-5
Mitsubishi Hvy	4.7m	739	-6	Toray Inds	3.0m	742	-3
Sharp	4.2m	1710	-30	Sanyo Electric	2.8m	565	+1

INDICES

US INDICES

Composite ‡	458.30	461.47	463.56	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials¶	548.16	552.02	553.83	563.10 (28/10)	510.05 (21/4)	563.10 (28/10/94)	3.62 (21/6/32)
Financial	40.60	41.31	41.77	46.94 (14/6)	40.60 (21/11)	48.49 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	250.58	252.30	253.49	267.71 (2/3)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	441.28	444.04	446.13	487.89 (3/2)	422.87 (28/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	757.74	764.67	765.84	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Nov 10	Nov 11	Nov 4	Year ago
Dow Jones Ind Div. Yield	2.79	2.78	2.78	2.71
	Nov 16	Nov 9	Nov 2	Year ago
S & P Ind. Div. yield	2.38	2.39	2.39	2.38
S & P Ind. P/E ratio	19.03	20.93	20.95	28.88

■ STANDARD AND POORS 500 INDEX FUTURES $500 times Index

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	457.70	456.20	-1.40	458.30	455.10	64,958	208,734
Mar	460.50	459.20	-1.45	460.60	458.95	4,328	38,023
Jun	-	463.10	-	-	463.10	132	4,586

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Telefonos	5,220,800	50¼	—
Br Steel	4,410,300	24⅛	-⅛
Gen Motors	3,538,200	37⅞	-⅞
Citicorp	3,350,100	41½	-1⅛
Wal-Mart	3,142,500	23¼	+⅛
Kemper	2,783,500	42⅝	-6⅞

■ TRADING ACTIVITY

● Volume (million)

	Nov 21	Nov 18	Nov 11
New York SE	282.986	356.895	323.188
Amex	11.897	11.064	16.288
NASDAQ	281.544	279.974	317.215
NYSE			
Issues Traded	2,926	2,924	2,932
Rises	797	795	743

■ CAC-40 STOCK INDEX FUTURES (MATIF)

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:45 pm November 22

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
17 3/8	12 1/8	AAR	0.48	4.0	21	83	12 3/8	d12 1/8	12 1/8	-1/8
18 1/8	12 5/8	A L Labs A	0.16	1.1	38	94	17 1/4	17	17 1/8	
70 3/8	57 5/8	AMP	1.68	2.4	21	2323	70 1/8	69 7/8	69 7/8	-1/8
72 3/4	48 1/8	AMR			109	5368	52 1/8	50 3/4	51 3/8	+5/8
5	3 3/8	ARX			12	95	3 1/8	3 1/4	3 1/4	
58 1/8	38 5/8	ASA x	2.00	4.5	29	851	45 3/8	44 1/8	44 1/8	-3/4
33	25 3/8	AbbtL	0.76	2.4	17	9575	32 1/4	31 3/8	31 1/2	-5/8
15 1/4	11 3/8	AbtBl Pr	0.50	4.1	11	20	12 3/8	12 1/4	12 1/4	-1/4
23 5/8	17 3/4	ABM Ind	0.32	2.6	12	64	20 1/2	20 1/8	20 1/8	
18	11 1/8	Acpincoto			0	1487	13 5/8	12 5/8	13	-3/8
31	22	ACE Ltd	0.44	2.0	21	1066	23	d21 7/8	21 7/8	-1 1/8
12 1/2	9	ACM Gvt In	1.08	11.8	9	501	9 1/4	9 1/8	9 1/4	+1/8
10 1/8	6 7/8	ACM GvOpp	0.80	11.9		76	7 3/8	7 1/4	7 1/4	
10 5/8	6 3/4	ACM Gvt Sp	0.98	14.0		392	7	6 7/8	6 7/8	-1/8
12	7 5/8	ACM Gvt Sa	1.09	13.5		641	8 1/4	8	8 1/8	+1/8
11 3/8	7 3/8	ACM Man	1.08	13.9		321	8 1/8	8	8 1/8	+1/8
9 3/4	8	ACM Managd	0.72	8.7		68	8 1/4	8 1/8	8 1/4	+1/8
15 1/2	8 3/4	AcmeClv	0.44	4.8	22	272	11	10 7/8	11	+1/8
13 5/8	8 1/2	Acme Elect			13	307	13 3/8	12 5/8	13	+3/8
28 7/8	23	Acordia x	0.60	2.1	14	21	28 3/4	28 1/2	28 5/8	-1/8
13 3/4	5 3/4	Actava	0.35	3.8	2	357	9 1/2	9	9 3/8	
18 7/8	11 3/4	Acuson			26	1374	16 3/8	16 1/8	16 1/4	
18 3/8	15 7/8	Adams Expr x	0.68	4.2	6	246	16 1/4	16	16	-1/8
64	46 1/2	Ad Micro	3.00	5.4		23	55 7/8	55	55 1/8	+1/8
21 3/4	16 3/4	AdvMic	3.00	11.8	8	7736	25 7/8	25 1/8	25 3/8	-1/4

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NOVEMBER 23 1994

3:45 pm November 22

NYSE COMPOSITE PRICES

Continued from previous page

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NASDAQ NATIONAL MARKET

3:45 pm November 22

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AMEX COMPOSITE PRICES

3:45 pm November 22

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FINANCIAL TIMES Wednesday November 23 1994

AMERICA

Dow unsteady on interest rate worries

Wall Street

US share prices fluctuated strikingly within negative territory yesterday amid fears that recent interest rate increases might begin to slow the economy, *writes Lisa Bransten in New York.*

By 1 pm the Dow Jones Industrial Average was down 11.10 at 3,758.41. The more broadly traded Standard & Poor's 500 fell 1.11 to 457.18, while the American Stock Exchange composite lost 3.39 et 437.89. The Nasdaq composite was down 6.38 at 751.36. Trading volume on the NYSE was 219m shares.

In the first hour of trading the Dow fell more than 32 points before pulling back about half that and settling near 3,755 around midday, the index's lowest level since August 22.

Volumes were heavy amid fears that rising interest rates would draw money from equities and into interest-bearing instruments such as bonds. On Monday, Morgan Stanley reduced the stock portion of its equity model portfolio to 85 from 97 per cent and increased the cash holdings to 15 per cent from 3 per cent.

For one of the first times this year, equity prices did not follow bond prices, which rose modestly in advance of an afternoon auction. Some analysts believe the uncoupling may be a signal that the markets finally believe the economy will weaken.

Major components of the Dow fell with the market. Caterpillar lost $1 to $53⅞, DuPont $1⅛ to $53⅝, International Peper $⅝ to $70⅝, General Electric $⅛ to $47⅞, Minnesota Mining and Manufacturing $¾ to $52¼ and Merck $⅝ to $36⅝.

One gainer in the Dow was Walt Disney which rose $1⅛ at $43⅞ after reporting fourth quarter earnings of 42 cents per share against analyst expectations of 39 cents per share.

Shares of PeineWebber Group were off $1 at $13¼ after the SEC launched an investigation into whether the broking house had improperly sold shares in several limited partnerships to investors.

Greyhound Lines was unchanged at $2 1/16 after reporting it would take a net loss of $3.5m over about four years because of three cancelled interest-rate swaps.

Brinker International, the restaurant group, fell $3⅝ at $17⅝ after announcing that it expected second quarter earnings to come in below the analysts' estimates.

Canada

Toronto stocks moved lower at midday, falling along with negative overseas markets and continued interest rate concerns.

Losses in energy, mining and transportation outpaced gains in the pipelines and conglomerates sectors.

The TSE 300 index was down 21.80 at 4,052.50 in volume of 36.2m shares valued at C$431m. Declines led advances by 450 to 136, with 284 issues flat.

Of Toronto's 14 sub-indices, 11 groups weakened at noon, led by transportation, down 81.47 at 4,431.65.

Gold and precious metals extended Monday's slide, dropping 37.62 to 9,060.05, despite slightly firmer gold prices.

Newbridge Networks fell C$1¼ to C$45⅞ ahead of second quarter results due later in the session.

The Bank of Montreal was unchanged at C$24⅞ on 519,000 shares traded after earlier reporting stronger fourth quarter earnings.

Brazil declines 3%

Shares in São Paulo continued to move lower as the market was affected further by worries over liquidity at some of the country's smaller banks.

The Bovespa index was down 3 per cent at midday at 43,574, having fallen nearly 5 per cent on Monday, its steepest decline since the currency was overhauled in the summer. Turnover was R$152m ($181.6m).

On Monday the central bank liquidated Banco Atlantis, the third bank to be shut down over the last 10 days, because the institution failed to comply with reserve requirements and to settle previously set positions.

Analysts said that domestic investors feared other small banks could also be facing financial difficulties.

Bear Stearns' Latin American research team commented that it did not expect a large-scale crisis to develop.

"Most banks will adjust to the loss of their inflationary 'float' income very quickly, due to the agility and high quality of the leading Brazilian private banks; while they bave also restructured their operations significantly in recent years, shedding labour and cutting costs," it said.

The market's decline came amid low trading volume.

South Africa resists fall

Indnstrial shares led a recovery in early afternoon trade as buying interest contlnued in spite of weaker world markets. A slight rise in the price of gold bullion was also a contributing factor.

Analysts said the undertone in industrials was firm and prospects in coming weeks remained steady.

The overall index was 7.4 better at 5,909.2 after earlier touching 5,879, the industrial index gained 41.2 at 6,984.1 and the gold shares index was 11.2 lower at 2,092.5.

Absa eased from recent highs, shedding 15 cents to R11.10, but Investec advanced R1.75 to R68 and Rand Merchant Bank Holdings rose R2 to R38 after lagging behind the major banks recently.

De Beers was again under pressure, declining R1.25 to R95.75, while Anglos was 50 cents off at R239.50.

SAB slipped 25 cents to R100 and Sasol receded 15 cents to R35. Sappi collected 50 cents at R73 and Hiveld put on 50 cents at R35.25.

Kloof relinquished 50 cents at R62 and Vaal Reefs finished R5 down at R382.

EUROPE

Milan tumbles as magistrates warn Berlusconi

Weakness on Wall Street was the main driving force yesterday, but Italy had its own domestic troubles.

MILAN tumbled 2.1 per cent after magistretes confirmed thet Prime Minister Silvio Berlusconi had been issued an investigation warning in connection with corruption allegations.

The Comit index fell 13.37 to 635.27 as the day's developments raised worries that the fast moving political situation could distract attention from the passage of the 1995 budget through the Senate by its year-end deadline.

Losses were seen in all sectors, with the blue chips particularly hard hit.

Fiat lost L167 or 2.7 per cent et L6,119 and Parmalat, the milk and food group, was L74 or 4.4 per ceot down at L1,605.

Among the telecommunications stocks, Stet fell L205 to L4,768 and Telecom Italia was L155 or 3.5 per cent weaker at L4,224.

ZURICH's ettention was firmly fixed on a live television broadcast of the UBS shareholders meeting. Tbe SMI index dipped 35.2 or 1.4 per cent to 2,571.8, depressed hy the weaker dollar and the malaise elsewhere in Europe.

UBS hearers fell SFr26 to SFr1,159, with the bank said to be a seller, and the registered stock shed SFr11 to SFr268 as the market awaited the news thet the shareholders had approved the creation of a single class of share, which came after the market had closed.

Mr Martin Ebner's BK Vision fell SFr25 to SFr1,345 as it emerged that the investment trust had already lodged a provisional appeal at Zurich's compeny registretion office two week's ago.

Mr Ian McEwan at Merrill Lyncb commented that tbe shares now faced e confused passage in the short term, although in the longer term, he reiterated his view that they had been driven substantially over fundamental value.

Chemical and pharmaceutical blue chips were lower, with Clbe down another SFr3 et SFr766.

Dealers said they expected only short-term weakness in Ciba following Mondey's announcement that it was to acquire 49.9 per cent of Chiron, the US hiotechnology company, for a price above market expectations.

Goldman Sachs, however, commented that the deal made excellent etrategic sense. It raised its longer term rating on *the stock, forecasting that the* price could reach SFr900 over the next year.

Nestlé, which is to report 10-month sales today, lost SFr25 et SFr1,205, with analysts forecasting flat sales growth, depressed by negative currency factors.

The main industrial issues were also lower. Sulzer declined SFr9 to SFr905 as James Capel downgraded the stock, noting that its order levels were rising, bnt not by enough to suggest that earnings from tbe cyclical businesses were set to explode.

PARIS regained the 1,900 level hy the close, with the CAC-40 index down 16.42 at 1,911.41.Turnover amounted to FFr3.6bn.

Alcatel Alsthom remained under pressure, the shares down FFr7.90 to FFr415.00, on news that the chairman of a subsidiary had been detained for questioning in connection with an investigation into alleged false billing and overcharging of France Télécom.

However, the stock came off a low for the year of FFr410.10 as the main board of the group declined a resignation offer from the executive.

There was no let-off in demand for Renault, with turnover approaching FFr365m as the shares slipped 80 centimes to finish at FFr180.20.

FRANKFURT was pulled down by technical weakness. The Dax index was off 30.51 at 2,074.77, recovering some of the losses in post-bourse trading to 2,072.49. Turnover totalled DM5.5bn.

Mr Hans Tietmeyer, president of the Bundesbank, yesterday advised market watchers not to expect a change in monetary policy at tomorrow's regular meeting of the council.

The market is now awaiting results from the chemical and bank sectors, which are due to start later this week. On the banks, Merrill Lynch in a recent note suggested that the 10-month results should he broadly neutral and summarised that the sector was likely to "outperform mildly over the intermediate term in the context of an unspectacular market".

Among chemicals, BASF, which launches the results season tomorrow, is widely expected to show a substantial improvement in nine-month profits. The stock closed yesterday at DM305.80, down DM8.00.

Volkswagen, off DM5.70 et DM461.80, has been attracting reasonably bullish comments from analysts. Mr Keith Hayes at Merrill Lynch said that he had raised his opinion on the basis of the recent share price pullback, but over the long term he remained "severely sceptical".

AMSTERDAM finished sharply down in a session that was pressured by events largely outside the market. The AEX index fell 4.75 to 406.44.

In the absence of corporate news the trend was one way, assisted also by dollar weakness – Philips declined Fl 1.30 to Fl 51.70, Royal Dutch Fl 2.60 to Fl 187.80 and Unilever Fl 2.20 to Fl 194.30.

Elsewhere, NedLloyd dipped Fl 3.40 to Fl 53.20, affected mainly by retail selling.

MADRID's direction was dictated by falls elsewhere and the General index finished 2.00 lower at 302.87.

Turnover of Pta16bn was well below the levels of recent days as industrials suffered profit-taking after the sharp gains in previous sessions.

Written and edited by John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Nov 22								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1339.57	1338.81	1336.71	1335.92	1334.77	1330.96	1329.80	1331.93
FT-SE Eurotrack 200	1398.32	1397.27	1394.92	1394.17	1395.67	1390.95	1390.04	1391.75

	Nov 21	Nov 18	Nov 17	Nov 16	Nov 15
FT-SE Eurotrack 100	1351.17	1344.08	1350.69	1358.80	1364.78
FT-SE Eurotrack 200	1411.82	1405.91	1412.93	1421.32	1416.93

Base 1000 (26/10/90). High/day: 100 - 1339.86, 200 - 1398.69 Low/day: 100 - 1329.55 200 - 1390.04 † Partial

ASIA PACIFIC

Nikkei falls below 19,000 as Hong Kong drops 3.8%

Tokyo

The eharp decline on Wall Street overnight and further weakness in consumer electronics shares depressed investor confidence, and the Nikkei 225 average fell below the 19,000 level for the first time since February 18, *writes Emiko Terazono in Tokyo.*

The index lost 158.73 at 18,982.99 on arbitrage unwinding prompted by lower futures prices, and profit-taking by foreigners and individuals. It opened at the day's high of 19,052.01 and hit a low of 18,905.48 as selling overwhelmed small-lot buying by financial institutions and investment trusts. Individnal investors wbo hed hought shares on margin were also forced to unload their holdings.

Volume rose to 315m shares from 176.6m. Traders said pubbc funds bought around 20m shares in the afternoon session. The Topix index of all first section stocks dipped 9.46 to 1,502.92 and the Nikkei 300 shed 1.83 to 275.82. In London the ISE/Nikkei 50 index eased 1.14 to 1,228.56.

Sony, the consumer electronics company, continued its decline on selling by overseas investors and the issue ended Y120 lower at Y5,110, falling for the third consecutive day. Other high-technology shares were also weaker, with Matsushita Electric Industrial off Y10 at Y1,520 and TDK down Y120 at Y4,570.

Brokerage issues declined on fears of lower earnings due to the prolonged weakness of the stock market: Nomura Securities was down Y20 to Y1,910 and Nikko Securities Y10 to Y1,020. Smaller brokers, which depend heavily on stock market commissions, were also hit – Sanyo Securities fell Y12 to Y477 and New Japan Securities Y15 to Y645.

Banks, which rely on unrealised share holdings as capital, lost ground, Industrial Bank of Japan slipped Y10 to Y2,720 and Dai-Ichi Kangyo Bank Y10 to Y1,680.

Telecommunication stocks were lower. Nippon Telegraph and Telephone, which reported that its interim recurring profits plunged 66 per cent, receded Y13,000 to Y843,000 and Japan Telecom Y7,000 to Y983,000.

In Osaka, the OSE everage declined 228.26 to 21,103.78 in volume of 24.7m shares.

Roundup

The reverberations from Wall Street's overnight setback were felt throughout the region.

HONG KONG dropped 3.8 per cent on heavy foreign selling, particularly by US investors clearing their books ahead of the Thanksgiving holiday weekend and, to a lesser extent, by Japanese investors ahead of today's boliday in Tokyo.

The Hang Seng index lost 354.81 at 8,948.43, the biggest one-day fall since a 465-point drop on Marcb 21, as local investors joined the sellers during the afternoon. Provisional turnover rose to HK$4.7bn after Monday'a HK$2.4bn.

An analyst said the market slide came amid rumours of changes in Morgan Stanley portfolio weightings. Mr Byron Wien, Morgan Stanley's US strategist, confirmed yesterday that he had raised the cash element of his US equity only portfolio from 3 per cent to 15 per cent on Monday. He added that his contrihntion to the volatility in Hong Kong was "another example of the law of unintended consequences".

Property issues were sold as investors discounted the effect of further interest rate rises on the property market. Sun Hung Kai fell HK$3.75 or 6.9 per cent to HK$51, Henderson Land HK$2.80 or 5.8 per cent to HK45.80 and Cheung Kong HK$1.60 to HK$34.40.

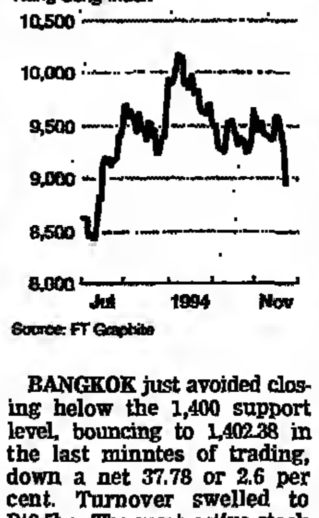
The H-share index of mainland China stocks listed in Hong Kong retreated 79.46 or 6.2 per cent to 1,206.23.

SINGAPORE was bruised by relentless selling hy institutional funds, in response to weak regional markets, the Dow's overnight fall and rises in prime rates by major local banks. The Straits Times Industrial index dropped 51.94 or 2.2 per cent to 2,270.05.

The index, which at one stage fell through the psychological support level of 2,250, recovered on bargain hunting towards the close of trading.

Large losses sustained by shipbuilders weighed on the hroader market. Keppel fell 70 cents to S$12.00 and Sembawang Corp 40 cents to S$10.70.

Hong Kong



Source: FT Graphite

BANGKOK just avoided closing helow the 1,400 support level, bouncing to 1,402.38 in the last minntes of trading, down a net 37.78 or 2.6 per cent. Turnover swelled to Bt9.5bn. The most active stock was Bangkok Bank, off Bt6 at Bt200 after foreign selling.

KUALA LUMPUR extended its losses, the composite index finishing 19.20 or 1.8 per cent down at 1,026.18. Volume was 109.9m shares, with Amalgamated Industrial Steel accounting for 15 per cent of them. AIS, which on Monday announced the acquisition of three integrated timber companies for M$1.1bn, fell 65 cents to M$5.05.

TAIPEI saw early gains reversed by mid-morning selling, but paper and cement shares posted slight rises. The weighted index lost 59.35 at 6,345.27, off e low of 6,332.69. Turnover was a thin T$30.9bn.

Brokers said aome industries, including paper, textile and steel, were expected to recover in 1995 and had already been the focus recently of bargain bunting by trust funds and long-term investors.

An easier cement issue was Lucky Cement, whose T$5bn investment plans in Vietnam were made public yesterday. It dipped 20 cents to T$30.30.

SEOUL finished lower for the fourth etraight session after aggressive institutional selling of primary blue chips wiped out minor early gains. The composite index lost 10.38 at 1,106.70, having pulled back from e high of 1,120.64.

Brokers said the market was pressured by concerns about tight liquidity and they thought it unlikely that a 2 percentage-point expansion for foreign share ownership next month would have much impact on prices.

Korea Mobile Telecom went limit down for the sixth session in a row, declining Won12,000 to Won571,000.

MANILA fell 1.5 per cent in line with the regional trend. The composite index saw e low of 2,850 before closing 44.84 off at 2,854.95. Analysts remarked that foreign fund managers had diverted money to other markets since equities in Manila were now thought to be too expensive.

The drop in PLDT in New York by almost $1.50 signalled a weak opening, and caused its domestic ahares to lose 25 pesos at 1,320 pesos.

The commercial and industrial sector tumbled 80.15 to 4,212.35, the property group shed 2.57 to 109.95 and mining fell 155.78 to 5,115.08.

SYDNEY closed sharply lower, hit by a firmer Australian dollar. The All Ordinaries index dipped 31.8 or 1.7 per cent to 1,877.7 and turnover was A$491m. Brokers said the higher currency helped to underpin the bond market.

Among the actives, BHP shed 38 cents to A$18.54, CRA 16 cents to A$17.02 and WMC 17 cents to A$7.18.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY NOVEMBER 21 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY NOVEMBER 18 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	166.56	0.0	157.48	103.58	135.04	145.43	-0.5	3.92	166.56	157.37	103.73	134.56	146.08	189.15	149.36	155.82
Austria (16)	178.39	0.6	168.66	110.93	144.62	144.47	0.9	1.13	177.33	167.55	110.44	143.26	143.22	198.89	167.48	174.24
Belgium (35)	166.44	0.0	157.36	103.50	134.93	131.60	0.3	4.20	166.43	157.26	103.65	134.45	131.16	177.04	151.70	152.77
Brazil (28)	172.46	-3.8	163.05	107.24	139.81	264.43	-4.1	0.78	179.19	169.30	111.59	144.75	275.73	-	-	-
Canada (103)	128.18	-0.9	121.18	79.71	103.92	126.82	-0.9	2.69	129.38	122.25	80.58	104.52	128.04	145.31	120.54	133.43
Denmark (33)	250.14	0.0	236.49	155.55	202.78	207.36	0.3	1.43	250.04	236.25	155.72	201.99	206.69	275.79	230.27	235.91
Finland (24)	188.65	-1.5	178.36	117.31	152.94	188.75	-1.2	0.75	191.48	180.92	119.25	154.69	191.02	201.41	116.85	122.98
France (102)	166.72	-0.3	157.62	103.67	135.16	139.96	0.0	3.06	167.26	158.04	104.17	135.12	140.03	185.37	158.34	163.95
Germany (58)	142.31	-0.2	134.55	88.50	115.37	115.37	0.2	1.80	142.58	134.72	88.50	115.16	115.12	150.40	128.37	131.91
Hong Kong (56)	375.04	-1.4	354.59	233.22	304.06	372.29	-1.4	3.22	380.55	359.57	237.01	307.44	377.74	506.56	341.29	376.94
Ireland (14)	203.47	0.3	192.38	126.53	164.96	185.21	0.2	3.45	202.78	191.60	126.29	163.82	184.78	216.60	172.05	173.08
Italy (59)	77.87	0.0	73.63	48.43	63.14	92.98	0.3	1.70	77.89	73.59	48.51	62.92	92.67	97.78	57.88	61.66
Japan (468)	154.22	-0.6	145.80	95.90	125.03	95.90	-0.6	0.80	155.15	146.59	96.62	125.34	96.62	170.10	124.54	143.59
Malaysia (97)	515.04	-0.9	486.95	320.26	417.56	509.31	-0.9	1.64	519.97	491.30	323.84	420.07	513.86	621.63	430.71	477.66
Mexico (18)	1989.39	-0.6	1881.94	1224.65	1596.61	7435.11	-0.6	1.38	1981.79	1872.41	1234.18	1600.63	7480.07	2647.08	1696.28	1995.15
Netherland (19)	212.59	0.1	201.00	132.20	172.36	169.57	0.5	3.41	212.38	200.67	132.27	171.58	168.78	223.30	187.01	189.07
New Zealand (14)	74.02	-1.7	69.98	46.03	60.01	63.14	-1.4	4.60	75.27	71.12	46.88	60.81	64.06	77.59	81.27	64.04
Norway (23)	196.38	-0.1	185.67	122.12	159.21	181.78	0.1	1.82	196.58	185.73	122.42	158.80	181.51	211.74	165.52	177.11
Singapore (44)	389.97	-0.8	368.70	242.50	316.16	253.51	-1.0	1.60	393.16	371.48	244.86	317.63	268.19	401.38	294.66	311.48
South Africa (59)	337.42	0.0	319.01	209.82	273.55	303.26	-0.3	2.12	337.49	318.87	210.16	272.64	304.06	342.00	205.55	229.39
Spain (36)	142.08	0.3	134.33	88.35	115.18	139.77	0.7	4.19	141.56	133.77	88.16	114.36	138.78	165.79	128.88	137.70
Sweden (36)	242.81	0.4	229.57	150.99	196.86	264.65	0.8	1.51	241.88	228.55	150.64	195.41	262.50	242.81	175.83	189.55
Switzerland (47)	162.12	-0.3	153.27	100.81	131.43	132.80	0.1	1.63	162.67	153.70	101.31	131.41	132.67	176.56	146.04	146.51
Thailand (46)	169.32	-1.3	160.09	105.29	137.28	164.39	-1.3	2.12	171.82	162.16	106.88	138.64	166.58	-	-	-
United Kingdom (204)	198.99	-0.4	188.13	123.74	161.33	188.13	-0.3	4.08	199.73	188.71	124.39	161.35	188.71	214.95	181.11	185.48
USA (515)	187.46	-0.7	177.23	116.57	151.97	187.46	-0.7	2.92	188.73	178.32	117.54	152.46	188.73	196.04	178.95	186.27
Americas (664)	175.01	-0.7	165.46	108.83	141.88	145.46	-0.7	2.85	176.29	166.57	109.79	142.42	146.54	-	-	-
Europe (708)	170.98	-0.2	161.66	106.32	138.62	152.49	0.0	3.07	171.35	161.90	106.72	138.43	152.45	178.58	154.79	156.89
Nordic (116)	229.66	-0.1	217.13	142.81	186.19	214.70	0.3	1.38	229.77	217.10	143.10	185.62	214.02	233.91	173.19	183.01
Pacific Basin (793)	163.55	-0.7	154.63	101.70	132.60	106.30	-0.3	1.15	164.62	155.55	102.53	133.00	107.12	178.86	134.78	152.49
Euro-Pacific (1501)	166.57	-0.5	157.48	103.58	135.04	124.46	-0.4	1.98	167.35	158.12	104.22	135.18	125.01	175.14	143.68	154.20
North America (618)	183.78	-0.7	173.79	114.28	148.99	183.30	-0.7	2.91	185.05	174.84	115.25	149.49	184.57	192.73	175.67	184.67
Europe Ex. UK (504)	152.34	-0.1	144.03	94.73	123.50	131.54	0.2	2.47	152.53	144.12	94.99	123.22	131.25	158.12	135.94	138.41
Pacific Ex. Japan (325)	253.78	-0.9	239.93	157.81	205.74	223.74	-1.0	2.91	256.10	241.98	159.50	206.90	226.06	296.21	232.54	238.24
World Ex. US (1709)	168.32	-0.5	159.13	104.66	136.45	128.04	-0.5	1.99	169.15	159.82	105.35	136.65	128.66	176.65	145.58	155.57
World Ex. UK (2020)	171.20	-0.9	161.86	106.46	138.79	142.21	-0.6	2.12	172.19	162.70	107.24	139.11	143.04	178.58	155.98	163.58
World Ex. Japan (1756)	185.82	-0.5	175.68	115.55	150.64	176.90	-0.5	2.92	186.83	176.52	116.36	150.93	177.13	195.20	176.34	176.83
The World Index (2224)	173.64	-0.6	164.17	107.98	140.77	146.31	-0.6	2.31	174.62	164.99	106.75	141.07	147.12	180.80	158.85	166.50

Constituent changes with effect 22/11/94: Deletions: American Cyanamid and McKesson Corp. (both USA). Latest prices were unavailable for this edition.